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Pensions & Investment Age

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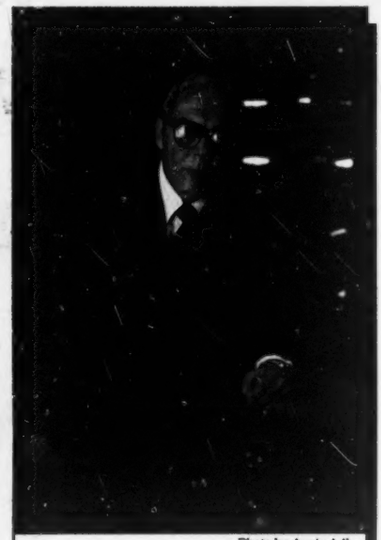

Photo by Arnie Adler

Ford Foundation is back on track

It has taken John English four years to bring the Ford Foundation's assets back above the $4 billion mark. He attributes the comeback to the bull market and a rebuilt in-house investment team. His story begins on page 72.

Secondary offering nets $130 million

U.S. Steel fund sells company's contribution of 1.25 million shares

By Marci Baker

NEW YORK — The $8 billion U.S. Steel & Carnegie Pension Fund netted almost $130 million earlier this month through a secondary public offering of 1.25 million shares of U.S. Steel preferred stock the fund held in its portfolio.

The secondary offering, rare among tax-exempt funds, consisted of half the stock U.S. Steel had contributed to the pension fund in lieu of cash in 1983.

The offering was for 1.25 million shares of $10.75 cumulative redeemable preferred stock, priced at $104 a share, and 2.975 million warrants, priced at 31.25 cents apiece.

About two years ago, the pension fund made a $79 million profit by selling 3.35 million shares of $12.75 convertible preferred that U.S. Steel had contributed to the fund in 1982. The company has since called in those shares.

The decline in interest rates prompted the latest offering, said Gary Glynn, president of the pension fund.

Preferred stock, like debt securities, typically increases in value in a declining rate environment. As a result, "the market for preferred issues has been strong," Mr. Glynn said. "We'd been thinking more seriously about selling some of the shares and decided the timing was right."

The preferred stock's offering price fetched a $4 a share premium over the $100 per-share par value of the securities. Total proceeds to the fund, after underwriting fees, were $129.4 million.

Mr. Glynn declined to say how the proceeds will be reinvested.

Although the preferred shares sold to the public were cumulative redeemable, the shares held by the fund were $10.75 exchangeable convertible cumulative preferred.

U.S. Steel contributed 2.5 million shares of those securities to the fund in 1983 in lieu of its cash contribution, Mr. Glynn said. The fund still holds 1.25 million shares. Mr. Glynn said it was too early to determine whether more shares will be sold if interest rates continue to drop.

Fund officials have agreed not to sell any additional shares for 60 days following the initial sale.

The exchangeable preferred gave any holder, other than the U.S. Steel pension fund itself, the right to exchange the stock for one share of $10.75 redeemable preferred, plus warrants to buy 2.38 shares of U.S. Steel common at $42 a share. The securities could be exchanged in this fashion until Sept. 14, 1988.

The pension fund was barred from the exchange option because "warrants are not equity securities" under the Employee Retirement Income Security Act, Mr. Glynn said. Non-cash corporate contributions have to be in the form of equity securities.

To complete the deal, the offering's underwriters purchased the exchangeable preferred shares, turned them in for the redeemable preferred and warrants, then reoffered those shares to the public. Salomon Brothers Inc., Morgan Stanley & Co. and Shearson Lehman Brothers Inc. underwrote the deal.

The investment bankers believed a secondary offering of the redeemable shares and warrants would have greater investor appeal than would a public offering of the convertible exchangeable shares, Mr. Glynn said.

"Ultimately, the purchasers of warrants are not the same as purchasers of preferred stock," said Martin Murrer, a vice president at Salomon.

As a result, the secondary offering could appeal to traditional buyers in both camps.

Given the relative complexity of the deal, it was well received in the market, Mr. Murrer said. Indeed, demand apparently was strong enough to increase the size of the offering. The initial prospectus proposed the offering of only 1 million shares of the redeemable preferred and 2.4 million warrants.

Mr. Murrer said that demand was sparked, in part, by the current scarcity of straight preferred issues. Most activity is in the variable-rate preferred area.

U.S. Steel can redeem the preferred starting in September 1988, at a redemption price of $100 a share plus accrued and unpaid dividends. Beginning September 1989, the com-

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PBGC's deficit to rise under budget proposal

By Joel Chernoff

WASHINGTON — Even with a premium hike and legislative reforms, the Pension Benefit Guaranty Corp.'s deficit will continue to mount by $70 million to $100 million per year, said Kathleen Utgoff, the agency's executive director.

Those projections, built into the president's proposed budget for 1987, contrast sharply with earlier PBGC goals of erasing its deficit during a set time. In 1982, the agency projected a $6 premium would enable it to pay off its $170 million deficit in five years.

Now, with the deficit hovering at $1.3 billion, PBGC executives say current proposals only will slow the rate of growth of its liabilities.

"Given what we know now, it's very unlikely we can amortize the deficit," Ms. Utgoff said.

She also said there's no chance the Reagan administration will seek a higher premium for single-employer plans than $8.50 per participant contained in the pending budget reconciliation bill. Upping the amount would open up the entire package to revision, a prospect the administration seeks to avoid for fear of jeopardizing long-sought after reforms.

What's more, the administration is not backing off from its support for the bill. "I think that the bill should be passed," Ms. Utgoff said.

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Late news

Mission, creditors sign

LOS ANGELES — Lawyers for Mission Insurance Group and its pension fund creditors have signed an agreement in principle that helps protect the pension funds' priority as creditors, according to an attorney for the funds.

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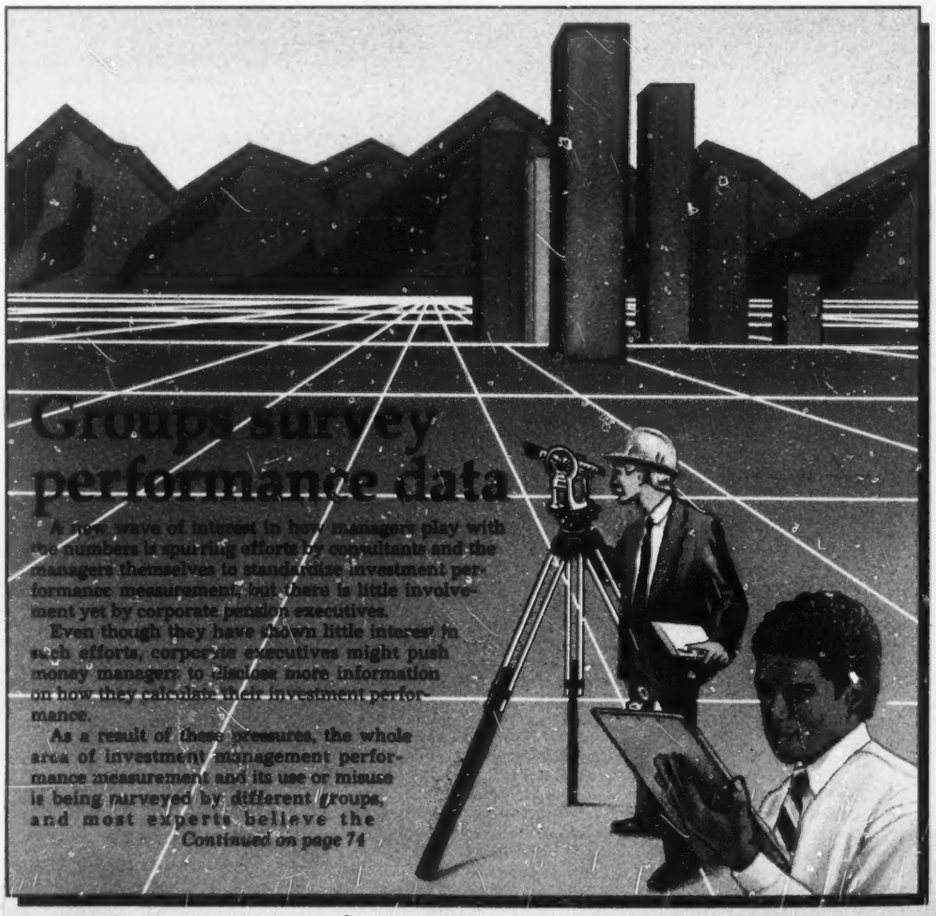

Groups survey performance data

A new wave of interest in how managers play with the numbers is spurring efforts by consultants and the managers themselves to standardize investment performance measurement, but there is little involvement yet by corporate pension executives.

Even though they have shown little interest in such efforts, corporate executives might push money managers to disclose more information on how they calculate their investment performance.

As a result of these pressures, the whole area of investment management performance measurement and its use or misuse is being surveyed by different groups, and most experts believe the

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The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

***P&I Age* January indexes**

	Latest mo.	Year to-date	Trailing 12 mos.
S&P 500	0.55	0.55	22.92
Russell 3000[1]	1.13	1.13	23.17
Ryan Index[2]	0.49	0.49	21.71
Shearson Lehman Gov't./Corp.[2]	0.59	0.59	19.4

Source: Rogers, Casey and Barksdale Inc.

[1]Frank Russell Co. [2]Fixed income.

Morgan Guaranty charges companies for deposit float

By Richard J. Gillespie

NEW YORK — In a move unrelated to its recently announced corporate restructuring, Morgan Guaranty Trust Co. has begun charging its corporate cash management and correspondent bank clients for deposit float.

Charging for deposit float appears to be the latest in a series of moves by Morgan to get out of less profitable cash management areas — especially the check-processing side — without losing its valued corporate clients.

Morgan is believed to be the only bank to have instituted such a policy on a permanent basis.

Morgan abandoned the lockbox business in 1982, and has been concentrating on more lucrative areas, including controlled disbursement, funds concentration, working capital management and loan syndications.

Michel Tilmant, vice president of Morgan's cash management operation, dismissed the speculation as "an opinion."

"This does not affect a lot of our organization. We don't think it is a big issue," Mr. Tilmant said.

Under the new policy, quietly instituted Jan. 1, corporations consistently depositing high-dollar checks into a Morgan account — thereby creating average daily deposit float in excess of $10 million — will be subject to a charge, reportedly 25 basis points.

Float arises when a payment is credited to one party before it has been debited from another, or vice versa. Deposit float comes from the time between when the check is deposited and funds are collected through the clearing system.

Mr. Tilmant said the policy affects only a "handful" of Morgan's customers.

Cash management

He said the charge will be negotiated with each client; bank officials are working with clients on alternative payment means when the average deposit float exceeds the allowable amount, he said.

A customer who receives payment by check might opt for a wire transfer payment to allay the charge, he said.

In all instances, payment forms are subject to negotiation, he said.

Interviews with 10 of Morgan's corporate customers produced only one who likely will be affected by the latest move. The others keep lower deposits or fund accounts with wire transfers.

Joe Bartosek, cash manager at Mueller Co., Decatur, Ill., said bank officials had informed him of the new policy by phone call and by letter.

"Our overall relationship had been longstanding and excellent so it is hard for me to react in a negative way to someone with whom I have had a very positive relationship over time," he said.

"They have been pulling out of cash management for several years now. They can't compete in that business," said Bob Russell, assistant treasurer of Quaker State Oil Refining Corp., Oil City, Pa.

"But it is a good bank otherwise. It is very strong," he said.

Harry Johnston, cashier with Archer Daniels Midland Co., Decatur, Ill., said, "I don't keep any deposits at Morgan because a three-star bank likes to charge for every star.

"If I had any deposits there that created float, and I do have other accounts there, I would not keep it there long if they started to charge me," he said.

At International Paper Co., New York, Tom Mathews, manager of cash management, said, "No experience with Morgan would surprise me." He said Morgan's fees are the highest in the industry. His firm does not use Morgan as an operat-

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Chief investment officer, 2 others leave Rothschild; trio may launch own firm

By Rose Darby

NEW YORK — Daniel S. Kampel, chief investment officer, and at least two other investment professionals at L.F. Rothschild Asset Management have left following what one source called a "grand blowup."

The three now are using office space at Mabon, Nugent & Co., a Wall Street brokerage firm, while they finalize plans for a money management company, sources said.

Mr. Kampel reportedly left Rothschild in early February, along with Richard H. Wosczyk, vice president and senior portfolio manager, and Mr. Wosczyk's assistant, who was not identified.

Messrs. Kampel and Wosczyk were unavailable for comment.

"This was one of those grand blowups," said a source familiar with the situation. The conflict arose when executives of the parent company, concerned about a slowdown in the revenue stream due to lost business, confronted Mr. Kampel.

Mr. Kampel, said to have been integral in decision-making and client relations at the asset management unit, was with L.F. Rothschild, Unterberg, Towbin — the parent brokerage firm — for 22 years.

Rothschild's principals had been aware of Mr. Kampel's plans for a few weeks, according to Francois Mayer, chairman of Rothschild's executive committee and co-chief operating officer.

Mr. Mayer said senior-level professionals are now in charge at the asset management unit, including Alexander Bing, senior portfolio strategist and a partner, and Arthur H. Sheer, senior investment manager.

Mr. Sheer joined the firm four months ago to manage money and build account relationships, Mr. Mayer said. He previously was an analyst and portfolio manager for Fidelity Group's pension operation.

"You're not talking about a mass exodus here," said Mr. Mayer. "The continuity of our business is assured."

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Expense of divestiture revealed

Cost would be higher in Wisconsin than in Michigan

By Trudy Ring

Divestiture of South Africa-related securities would be far more costly for Wisconsin's state pension funds than Michigan's, largely because of differences in investment styles and stock selection.

SEI Funds Evaluation Services, Chicago, recently completed separate studies of the $10.5 billion Michigan State Employees' Retirement Systems and the $10.8 billion Wisconsin Investment Board. Legislation calling for divestiture is pending in both states.

SEI concluded the present value of costs associated with divestiture over six years by the Wisconsin board would be $131 million, compared with the "surprisingly small" cost of $16.1 million for Michigan to divest over a five-year period. The Michigan study was co-authored by United States Trust Co. of Boston.

A discount rate of 12.3% was used in the calculation for Michigan, while 5% was used for Wisconsin.

But differences in the discount rate and the time period account for only a small part of the variance in costs. Using the 5% rate, Michigan's present value cost comes to $19.2 million. Using the 12.3% rate, Wisconsin's cost comes to $71.4 million over five years, $100.3 million over six years.

SEI officials said the rest of the discrepancy is due to differences in investment style and alpha, the consistent ability to pick stocks that outperform the market after adjusting for risk.

Michigan's equity investments are based on a top-down approach, meaning they depend more on market direction and sector selection than individual stock selection, said Ronald J. Surz, an SEI vice president who worked on both studies. Wisconsin's management takes a bottom-up approach, with stock selection of primary importance, he said. Both funds are managed in-house.

Therefore, Wisconsin's portfolio is more likely than Michigan's to have its performance impaired by restrictions on the stocks it can hold, Mr. Surz said. The divestiture costs estimated for Michigan are largely for transactions; the Wisconsin fund would incur about the same transaction costs, but larger opportunity costs reflected in investment performance.

Also, investment managers with a significantly positive alpha might

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Crocker units' future unknown in purchase

By Steve Hemmerick

SAN FRANCISCO — Wells Fargo Investment Advisors, a giant among passive money managers with $30 billion in tax-exempt assets, soon might find itself with a sibling that manages $1.7 billion actively — Crocker Investment Management Co.

This corporate family of active and passive managers would result from Wells Fargo & Co.'s announced plans to buy Crocker National Corp. from Britain's Midland Bank for about $1.08 billion.

Wells Fargo dumped active management in 1982 on the grounds that passive management is better for institutional accounts. Some critics, mainly active managers, claimed it was because Wells Fargo had been unsuccessful at active management.

What Wells Fargo will do with Crocker Investment isn't clear.

Wells Fargo Investment Advisors is a division of Wells Fargo Bank, a subsidiary of Wells Fargo & Co.; Crocker Investment is a subCrocker Real Estate Investment Group or Crocker National Bank's trust department.

But Kim Kellogg, a spokesman for Wells Fargo, denied the rumor that Wells didn't buy one or the other of the two subsidiaries (Crocker Investment and Crocker Real Estate).

They are part of the deal, she said, but it's "too early to tell" if these operations will mesh or remain separate.

One of the biggest tax-exempt accounts of Crocker Investment, at $500 million, is the $1.6 billion Los Angeles Water & Power Employees' Retirement Plan. Kathleen Thorton, assistant retirement plan manager, said she has gotten only "sketchy information" so far on what might happen to Crocker Investment.

Betty Lanoue, retirement administrator for the $470 million Contra Costa County Employees' Retirement Association, Martinez, Calif., said the fund has $23 million invested with Crocker Investment and $22.5 million in a separate ac-

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PIPER

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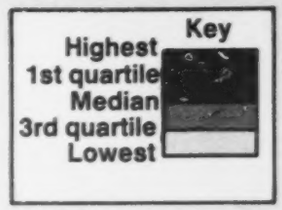
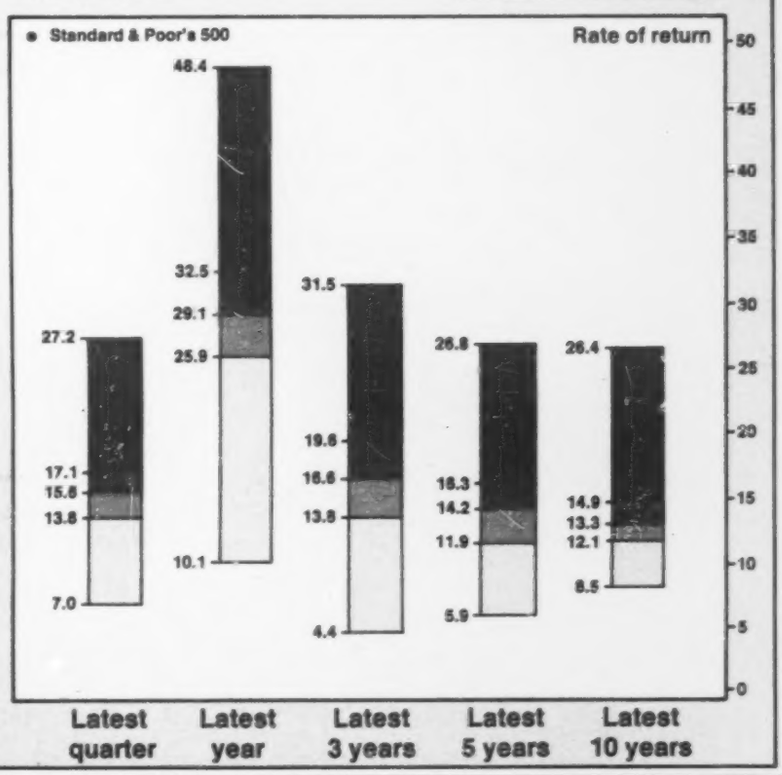
Pooled equity funds of banks and insurance companies.

All periods ending December 31, 1985, and all figures, except latest quarter, are annualized total returns.

PIPER report compiled by Rogers, Casey & Barksdale Inc.

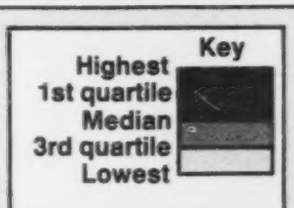


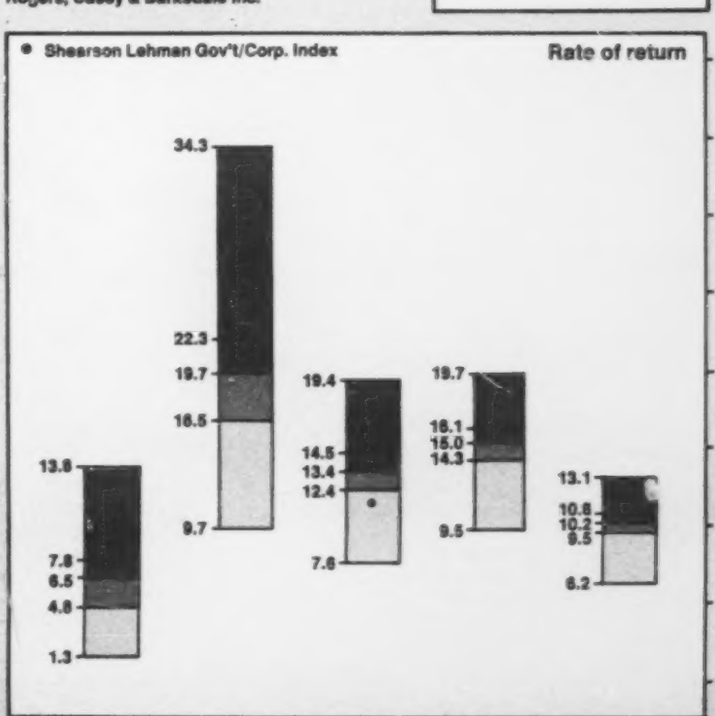


Pooled fixed-income funds of banks and insurance companies.

All periods ending December 31, 1985, and all figures, except latest quarter, are annualized total returns.

PIPER report compiled by Rogers, Casey & Barksdale Inc.





Large firms reassert dominance in equities

By Ed Christman

Big banks and insurance companies returned in force to the Top 25% of the PIPER universe of commingled equity funds in 1985.

Of the 65 funds in the top quartile for the year, 30 are managed by institutions with more than $1 billion in tax-exempt assets under management. Last year, of the 64 funds in the top quartile, only 19 were run by big institutions.

The top performer in Pensions & Investments' Performance Evaluation Report for the year was the New York Life Insurance Co., New York, with 48.4%, compared with 31.8% for the Standard & Poor's 500 stock index.

The chart-topping New York Life equity pool is managed by MacKay-Shields Financial Corp., New York, a subsidiary of the insurance company.

Following New York Life, the other top performers for the year were Sun Banks Inc., Orlando, Fla., 47.8%; Pioneer Bank & Trust Co., Chicago, 47.4%; MTrust, Fort Worth, Texas, 41.8%; and First National Bank of Neenah, Wis., 41.1%.

The New York Life commingled equity fund also chalked up the top performance, 25.3%, for the fourth quarter of 1985. Northern Central Bank, Williamsport, Pa., was next, with 21.9%, followed by Puget Sound National Bank, Tacoma, Wash., 21.1%; First of America Bank, Kalamazoo, Mich., 21%; and Guardian Life Insurance Co. of America, New York, 20.8%. The S&P 500 returned 17.2%.

Although New York Life has had a good track record for the past year, performance has not been as strong for the long term. For the five-year period ended Dec. 31, the fund had a compound annualized return of 14.3% (vs. 14.7% for the S&P 500), placing it in the fifth decile; and for the 10-year period the compound annualized performance was 12% (vs. 14.4% for the S&P), placing it in the eighth decile.

Kenneth R. O'Brien, senior vice president in charge of pension operations at New York Life, pointed out that the five- and 10-year performance numbers are deceiving because MacKay-Shields has only been running the fund since May 1984. Mr. O'Brien said MacKay-Shields employs a different investment style than New York Life used when it ran the fund.

Portfolio manager Christopher Lewis, managing director of MacKay-Shields, said he uses a growth, bottom-up approach for the $58 million fund.

Mr. Lewis starts out by looking for a favorable environment, then looks for companies with an earnings growth rate at least two to three times that of the S&P 500.

"The S&P 500 is expected to be 6% or 7% this year," he said. "Now, I am looking for companies that have at least a 30% earnings growth rate."

Of those companies, he looks for ones with some kind of edge, such as those with a patent or those holding dominent market share.

He likes companies growing very quickly that are customer oriented, innovative and good at motivating people.

Also, if management has a significant ownership stake, then not only are "they working for themselves, but I feel like they are working for me," he said.

Two areas primed for explosive growth are compact discs and video, he added.

The fund is invested in 22 stocks. Among good-performing stocks are **Telecredit Inc.**, **Liebermann Enterprises Inc.**, **Environmental Testing & Certification Corp.**, **CrossLand Savings FSB**, **Verdix Corp.** and **National Data Corp.**

Another large manager that landed in the top decile for the year is U.S. Trust Co. of New York, with a 36.8% performance.

The fund also was in the Top 10% for the three-year period ended Dec. 31, with a

Continued on page 25

Bond funds that 'go long' produce a winning season

By Trudy Ring

Many successful managers of bank and insurance company pooled bond funds in 1985 appear to have taken the same advice as a quarterback on 3rd-and-20 — "go long."

"Most bond managers that held intermediate to longer maturities did very well," said L. David Hale, senior vice president of Continental Investment Advisors Ltd., Richmond, Va.

"If you were very long, you probably did very, very well," added Rollin C. Woltjen, senior vice president of Centerre Trust Co., St. Louis.

Messrs. Hale and Woltjen know whereof they speak: Both work for firms that were among the leaders in the year-end Pensions & Investments' Performance Evaluation Report on more than 200 pooled fixed-income funds managed by banks and insurance companies.

The fund that Continental manages for a sister company, Life Insurance Co. of Virginia, in Richmond, was the top performer in the five- and 10-year periods, second for the three-year period and in the top decile for 1985 and the fourth quarter.

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million at year end, is made up of issues with an average maturity of 10 years and average quality of A+, Mr. Hale said. It consists almost exclusively of corporate bonds, mostly those with sinking fund provisions, meaning the issuer is obligated to retire a certain amount each year.

"The sinking fund sector, for us, has been very rewarding," Mr. Hale said. "It's done very well for us over the years and it continues to do well."

For the 10-year period, the fund had a compound annual return of 13.1%, compared with 10.4% for the Shearson Lehman Government/Corporate bond index. Its five-year compound annual return was 19.7%, compared with 16.2% for the index.

The three-year compound annual return was 18.8%, compared with 14.6% for the index.

The return for 1985, when the fund ranked eighth in PIPER, was 27.9%, compared with 21.3% for the index. The fourth-quarter return was 10.1%, with the fund ranking 13th in PIPER and again outperforming the index, which gained 7.6%.

Centerre's bond portfolio managers went with longer

Equity performance

cumulative periods ending 12/31/85

	No. of years			
	1	5	10	DCR
	%			
Aetna Life & Cas., Conn.	27.3	15.1	16.6	2
Allied Bank, Texas	24.4	11.0	11.7	9
American Fletcher, Ind.	37.1	16.0	12.8	7
American Natl. (Eq. fund), Minn.	29.9	8.0	10.4	10
American Natl. Bank, Ind.	26.6	15.6	12.7	7
American Natl. Bank (Growth), Ind.	22.0	13.5	12.1	8
American Natl. Bank, Tenn.	26.3	14.3	12.7	7
American Natl., (Active), Chicago	36.6	20.4	(1)	—
American Natl., (S&P 500), Chicago	32.3	14.8	14.1	4
American Security, D.C.	16.8	12.8	12.1	8
Ameritrust, Ohio	32.9	16.7	13.8	5
AmSouth, Ala.	20.7	21.0	18.1	1
Associated Kellogg, Wis.	27.4	11.8	12.1	8
Associated Manitowoc, Wis.	26.7	15.6	9.6	10
BancTexas, Dallas	25.7	13.2	12.9	7
Bank of Calif. (Inc./Growth)	33.7	15.3	12.2	8
Bank of Calif. (Income)	32.3	(1)	(1)	—
Bank of Delaware	20.8	13.7	13.9	5
Bank of New England	31.4	(1)	(1)	—
Bank of Oklahoma, Tulsa	21.6	12.8	14.9	3
Bank of the West, Calif.	27.1	(1)	(1)	—
Bank of Tokyo, N.Y.	33.0	17.2	15.1	3
Bank One Trust, Columbus, Ohio	26.3	11.2	10.3	10
Bankers Life, Iowa	33.7	15.7	18.2	1
Bankers Trust, N.Y.	31.2	13.3	13.4	5
Bankers Trust (Index), N.Y.	32.4	15.2	(1)	—
Barnett Banks Trust Co., Fla.	35.4	17.8	(1)	—
Bessemer Trust, N.Y.	28.7	13.1	18.0	1
Beverly Bank, Ill.	18.6	7.5	12.6	7
Boatmen's FNB, K.C., Mo.	27.5	14.2	11.7	9
Boatmen's National, Mo.	26.8	12.1	10.3	10
Boston Safe Deposit, Mass.	28.8	15.9	12.2	8
Branch Bank & Trust, N.C.	32.1	13.7	(1)	—
Calcasieu Marine Natl., La.	10.1	(1)	(1)	—
Centerre Trust, Mo.	28.5	16.8	13.4	6
Central Bank, Denver	19.6	9.7	10.3	10
Central Bank, Monroe, La.	26.3	(1)	(1)	—
Central Fidelity, Va.	33.4	14.9	14.4	4
Chase Manhattan, N.Y.	26.6	16.1	13.2	6
Chemical Bank (No. 1), N.Y.	25.7	9.5	13.0	6
Chemical Bank (No. 2), N.Y.	33.4	(1)	(1)	—
Chicago Title & Trust	28.8	14.7	15.4	3
CIGNA Corp., Conn.	29.0	12.6	14.7	3
Citicorp, N.Y.	27.7	12.7	13.5	5
Citizens Chillicothe, Mo.	34.8	7.4	20.0	1
Citizens Fidelity, Ky.	30.5	13.6	14.0	4
Citizens & Southern, Ga.	26.7	9.5	12.0	8
Citytrust, Conn.	30.8	16.7	15.2	3
CNA Insurance, Ill.	32.8	12.6	11.9	8
Colorado National Bank	30.7	17.8	15.9	2
Comerica Bank, Mich.	30.0	12.5	12.4	7
Commerce Bank, K.C., Mo.	23.3	14.0	10.8	10
Commonwealth Natl., Pa.	30.5	14.9	14.1	4
Confederation Life, Ont.	32.7	18.1	18.6	1
Connecticut Bank & Trust	36.4	15.0	13.7	5
Connecticut Mutual Life	26.1	18.6	14.5	4
Connecticut National Bank	24.9	10.2	11.9	8
Continental Bank, Pa.	38.5	14.6	16.2	2
Continental Illinois	28.7	10.8	11.5	9
County Bank of St. Louis	28.1	13.2	12.0	8
Crocker National, Calif.	31.7	10.7	13.0	6
Crown Life, Ont.	23.6	8.0	13.0	6
Cullen Bank, Texas	32.5	15.6	(1)	—
Dauphin Deposit, Pa.	30.4	18.9	(1)	—
Dominion Trust, Va.	29.2	18.6	(1)	—
Employers Life of Wausau, Wis.	22.4	12.2	16.3	2
Equitable Bank, Md.	20.5	11.7	14.3	4
Equitable Life (No. 1), N.Y.	26.3	11.4	13.1	6
Equitable Life (No. 4), N.Y.	32.7	14.0	16.6	2
Fidelity Bank, Pa.	35.5	12.8	11.2	9
Fidelity Mgmt. Trust, Mass.	25.7	(1)	(1)	—
Fidelity National, La.	29.8	14.7	(1)	—
First Alabama Bank, Ala.	22.4	17.0	12.6	7
First Alabama, Mobile	25.2	15.5	13.1	6
First Bank Milwaukee, Wis.	28.1	16.3	13.1	6
First Citizens, N.C.	27.8	16.4	(1)	—
First City Dallas	27.5	11.8	10.6	10
First City Natl., Houston	26.5	12.6	13.6	5
First Fidelity (Disc.), N.J.	26.6	22.2	(1)	—
First Fidelity (EB), N.J.	33.4	14.0	14.2	4
First in Bartlesville, Okla.	26.5	15.9	13.3	6
First Interstate Billings, Mont.	22.5	(1)	(1)	—
First Interstate of Ariz.	34.4	12.5	12.2	8
First Interstate of Calif.	19.4	7.1	10.7	10
First Interstate of Denver	36.7	14.1	17.8	1
First Interstate of Wis.	24.4	9.4	(1)	—
First Jersey Natl., N.J.	35.2	15.6	16.0	2
First Kentucky Trust	37.7	15.4	14.0	4
First Midwest, Moline, Ill.	25.1	9.2	12.8	7
First Natl., Lincoln, Neb.	29.3	15.3	15.3	3
First Natl. of Tulsa	28.5	9.4	10.7	10
First of America (Cap. G.), Mich.	29.4	(1)	(1)	—
First of America, Mich.	32.5	18.6	17.1	1
First of Boston	34.1	(1)	(1)	—
First of Chicago	21.7	13.6	12.6	7
First of Cincinnati	28.6	13.6	11.7	9
First of Elgin (Fund A), Ill.	19.5	(1)	(1)	—
First of Elgin (Fund C), Ill.	23.3	11.1	(1)	—
First of Kenosha, Wis.	25.1	8.5	13.7	5
First of Maryland	30.6	13.1	14.2	4
First of Maryland (Income)	28.6	(1)	(1)	—
First of Minneapolis	27.0	9.1	11.3	9
First of Mobile, Ala.	31.7	12.4	12.9	6
First of Neenah, Wis.	37.8	16.0	14.3	4
First of Neenah, Wis.	41.1	13.0	14.7	3
First of Oklahoma	29.6	18.7	17.4	1
First of Omaha, Neb.	31.9	19.7	17.7	1
First of Penna, Erie	22.4	7.1	11.5	9
First of Shreveport, La.	32.1	10.3	(1)	—
First of Toledo	30.8	9.6	10.0	10
First of Warsaw, Ind.	28.9	16.9	14.1	4
First Pennsylvania Bank	31.0	17.2	14.2	4
First Security Natl., Ky.	32.6	17.7	(1)	—
First Tennessee, Chat.	19.6	16.1	14.7	3
First Tennessee, Memphis	30.8	16.0	14.5	4
First Trust St. Paul	21.0	13.8	13.4	5
First Union Bank, N.C.	25.9	23.7	18.0	1
First United Trust, Ill.	29.2	11.4	11.0	10
First Variable Life, Ark.	21.5	22.8	20.1	1
First Wis. Natl., Madison	32.7	19.5	20.8	1
First Wis. Trust (Div.)	22.2	13.0	11.6	9
First Wis. Trust (Income)	26.0	18.9	14.1	4
Frost National, Texas	32.5	10.7	9.5	10
Gary Wheaton Bank, Ill.	28.5	16.7	13.4	5
General American, Mo.	26.5	11.8	9.5	10
Genesee Merchants, Mich.	24.3	12.7	11.8	9
Great West Life, Manitoba	30.6	14.5	12.5	7
Greeley Natl., Colo.	26.4	8.6	11.6	9
Guardian Insurance, N.Y.	33.6	21.2	22.2	1
Hamilton Bank, Pa.	26.9	13.5	13.4	5
Harris Trust (Common), Ill.	28.1	11.4	12.9	6
Harris Trust (Low p/e), Ill.	34.3	(1)	(1)	—
Hawaiian Trust	29.2	10.5	12.2	8
Hibernia Natl., La.	28.1	11.3	12.7	7
Home Life, N.Y.	33.4	12.4	16.0	2
HT Investors, R.I.	23.8	14.7	13.2	6
IAA Trust, Ill.	32.3	15.9	15.6	2
Indiana Natl. Bank	28.0	10.4	11.8	8
Interfirst Bank, Dallas	24.6	12.2	12.9	6
Interfirst Bank (Inc.), Dallas	35.8	(1)	(1)	—
Irving Trust, N.Y.	23.0	14.9	12.0	8
Jefferson Trust, Ill.	20.3	15.3	12.7	7
John Hancock (1K), Mass.	31.2	14.9	(1)	—
John Hancock (1L), Mass.	36.3	(1)	(1)	—
Key Trust Co., N.Y.	25.7	13.0	12.4	7
Lake Shore Natl., Ill.	30.3	19.5	14.9	3
Landmark First Natl., Fla.	29.3	15.3	13.4	5
Landmark Union Trust, Fla.	26.5	18.0	17.3	1
LaSalle Natl. (Core), Ill.	31.3	(1)	(1)	—
LaSalle Natl. (Int. Val.), Ill.	31.4	(1)	(1)	—
Liberty Natl., Ky.	29.3	(1)	(1)	—
Liberty Natl., Okla.	32.9	15.3	15.5	3
Lincoln National, Ind.	—	16.1	13.4	5
Lincoln Natl. Pens., Ind.	30.7	(1)	(1)	—
Lloyds Bank, Calif.	30.3	13.1	11.4	9
Long Island Trust, N.Y.	20.9	9.8	11.6	9
Manufacturers Detroit	35.6	20.6	16.7	2
Manufacturers Hanover, N.Y.	28.4	9.7	12.2	8
Manufacturers Life, Ont.	29.4	23.4	26.4	1
Marine Bank, Pa.	27.2	12.5	(1)	—
Marine Midland, N.Y.	32.2	(1)	(1)	—
Marquette Bank, Minn.	26.0	6.9	9.2	10
Maryland National	24.7	9.6	10.1	10
Massachusetts Mutual	30.3	18.5	16.7	2
MBank, Austin, Texas	25.7	5.9	10.1	10
Mellon Bank, Pa.	34.2	14.6	12.3	7
Mercantile Natl., Ind.	20.6	(1)	(1)	—
Mercantile Safe, Md.	29.0	16.1	13.7	5
Mercantile Trust, Mo.	26.1	14.6	13.4	5
Merchants Natl. (No. 1), Ind.	34.9	14.1	12.4	7
Mich. Natl. of Detroit	24.8	11.7	8.9	10
Mich. Natl. of Grand Rapids	24.5	12.5	9.7	10
Midlantic Natl., N.J.	24.4	18.9	(1)	—
Mid-State Bancorp, Pa.	31.4	17.6	(1)	—
Minnesota Mutual	16.3	16.3	14.3	4
Morgan Guaranty, N.Y.	33.1	14.5	(1)	—
MTrust, Fort Worth	41.8	20.0	17.5	1
MTrust, Texas	30.2	15.4	17.1	2
Mutual Benefit, N.J.	30.9	19.5	14.8	3
Mutual of New York	25.5	11.1	11.3	9
Mutual Service Life, Minn.	25.2	(1)	(1)	—
Natl. Bank of Detroit	28.9	12.3	11.2	9
Natl. Bank of Commerce, Neb.	26.5	13.2	16.7	2
Natl. Bank of Commerce, Tenn.	30.5	17.6	(1)	—
Natl. City Cleveland	35.1	16.1	15.8	2
Natl. of Georgia	27.9	13.4	(1)	—
NCNB National, N.C.	25.9	7.9	12.5	7
New England Mutual	24.4	13.4	13.0	6
New England Mutual (Sep. Cap)	36.8	18.7	17.1	2
New Jersey Natl.	40.0	17.1	14.1	4
New York Life Ins.	48.4	14.3	12.0	8
Northern Central, Pa.	40.1	(1)	(1)	—
Northern Trust (Con. eq.), Ill.	21.1	11.1	14.3	4
Northern Trust (Div. eq.), Ill.	27.3	12.8	12.2	8
Norwest Bank, Minn.	31.1	12.6	13.3	6
Old Kent, Mich.	34.7	17.0	13.4	5
Old Second Natl., Ill.	30.5	11.1	12.9	6
Omaha Natl. Bank, Neb.	35.2	9.9	13.8	5
Oregon Bank	29.1	13.1	13.2	6
Pacific Mutual, Calif.	30.2	7.5	12.0	8
Penn Mutual Life, Pa.	30.3	14.4	16.1	2
Philadelphia Natl.	37.0	15.0	14.9	3
Phoenix Mutual, Conn.	26.5	14.5	14.6	3
Pioneer Bank, Ill.	47.4	19.4	(1)	—
Pittsburgh Natl. (Comb. tr.)	34.8	13.5	15.0	3
Pittsburgh Natl.	25.8	9.2	(1)	—
Pittsburgh Natl. (Grp. tr.)	32.4	13.6	(1)	—
Planters Natl., N.C.	22.3	13.7	(1)	—
Provident Bank, Ohio	21.7	10.0	12.1	8
Provident Natl., Pa.	28.7	19.2	18.3	1
Prudential (No. 5,000), N.J.	31.0	13.5	(1)	—
Prudential (Low p/e), N.J.	31.1	19.7	(1)	—
Prudential (VCA No. 9), N.J.	29.0	10.6	13.2	6
Puget Sound Natl., Wash.	37.1	11.9	11.6	9
Republic Natl., Dallas	34.6	16.5	14.6	3
Resource Bank & Trust, Minn.	27.5	22.0	(1)	—
Riggs of Washington	33.6	14.2	12.1	8
Seafirst Bank, Wash.	26.6	8.9	12.2	8
Seattle Trust, Wash.	36.8	17.6	13.3	6
Security Natl., W. Va.	27.3	(1)	(1)	—
Security Pacific, Calif.	28.5	(1)	(1)	—
Sentry Life, Wis.	30.5	14.3	13.9	5
Shawmut Bank, Mass.	30.6	17.4	(1)	—
Society National, Ohio	36.2	17.1	14.6	3
Southeast Bank NA, Fla.	25.6	15.7	13.2	6
Sovran Bank, Va.	30.1	15.5	12.7	7
State Natl., Evanston, Ill.	34.6	16.3	16.9	2
State Street Bank, Mass.	33.0	16.4	13.4	5
State Street Bank (S&P 500), Mass.	31.7	14.7	(1)	—
State Street Bank (Value), Mass.	33.2	(1)	(1)	—
Summit Bank, Ind.	32.8	16.1	11.6	9
Summit Trust Co. N.J.	39.4	13.8	8.5	10
Sun Bank, Fla.	47.8	26.8	17.3	1
Texas American Bank	26.4	10.3	14.6	3
Texas Commerce	31.8	16.4	15.2	3
Third Natl., Nashville	19.1	9.9	11.6	9
Toledo Trust, Ohio	29.4	13.8	11.3	9
Travelers, Conn.	23.7	9.4	12.8	7
Trust Co. of Georgia	24.1	11.4	12.5	7
Trust Svcs of Amer., Calif.	30.5	12.5	13.9	5
Unibanctrust, Ill.	26.4	11.1	14.3	4
Union Central, Ohio	22.0	16.9	14.5	4
Union Natl., Wichita, Kan.	19.4	10.1	(1)	—
Union Trust, Baltimore	27.0	13.4	13.5	5
United Carolina Bank, N.C.	24.5	16.7	(1)	—
United Missouri, K.C.	27.2	15.2	13.0	6
United of Denver	27.6	21.0	16.3	2
United Virginia Bank	21.2	16.3	15.1	3
US Natl. of Galveston	33.1	20.6	20.3	1
US Natl. of Oregon	26.7	17.7	19.2	1
US Trust, N.Y.	36.8	13.6	11.2	10
Valley Fidelity, Tenn.	31.3	14.5	15.3	3
Valley Natl., Ariz.	37.1	13.4	11.3	9
Wheeling Dollar Bank, W. Va.	30.4	17.3	15.5	2
Wilmington Trust, Del.	30.2	13.3	12.7	7

Fixed-income performance

cumulative periods ending 12/31/85

	No. of years			
	1	5	10	DCR
	%			
Aetna Life & Cas., Conn.	24.6	(1)	(1)	—
Allied Bank, Texas	14.9	16.7	11.0	2
American Fletcher, Ind.	19.3	14.3	9.8	7
American Fletcher (inter.), Ind.	15.3	12.9	9.4	9
American National, Minn.	21.8	15.9	(1)	—
American Natl. Bank, Ind.	15.7	13.7	10.5	4
American Natl. Bank (Income), Ind.	13.5	11.7	9.8	7
American Natl. Bank, Tenn.	20.2	16.1	11.1	2
American Natl., Chicago	20.2	15.8	10.5	4
American Security, D.C.	24.3	17.6	11.9	1
Ameritrust (Fixed), Ohio	18.3	15.0	9.9	7
Ameritrust (Reserve), Ohio	12.8	13.7	10.7	4
AmSouth, Ala.	25.3	16.7	8.9	10
AmSouth (Lim. mat.), Ala.	10.9	13.3	(1)	—
Associated Kellogg, Wis.	16.0	14.3	9.9	7
Associated Manitowoc, Wis.	19.7	16.7	10.6	4
BancTexas, Dallas	20.0	14.3	9.9	7
Bank of California	23.2	16.6	10.5	4
Bank of New England	23.5	16.3	11.1	2
Bank of Oklahoma, Tulsa	16.8	14.7	9.5	8
Bank of Tokyo, N.Y.	19.7	(1)	(1)	—
Bankers Life, Iowa	24.5	(1)	(1)	—
Bankers Trust (Fund A), N.Y.	23.5	17.2	10.8	3
Bankers Trust (Fund B), N.Y.	18.7	14.8	10.7	3
Bessemer Trust, N.Y.	24.0	14.6	10.7	4
Beverly Bank, Ill.	23.6	17.6	12.7	1
Boatmen's FNB, K.C. Mo.	18.3	15.2	(1)	—
Boatmen's National, Mo.	20.8	14.8	11.3	2
Calcasieu Marine Natl., La.	11.3	(1)	(1)	—
California First Bank	19.3	16.1	10.9	3
Centerre Trust, Mo.	32.5	18.5	12.2	1
Central Bank Denver	9.7	9.6	7.5	10
Central Bank Monroe, La.	15.2	(1)	(1)	—
Central Fidelity, Va.	20.5	17.2	12.1	1
Chase Manhattan, N.Y.	22.6	14.3	9.6	8
Chase Manhattan, N.Y.	24.6	(1)	(1)	—
Chemical Bank (No. 1), N.Y.	23.5	14.5	9.5	8
Chemical Bank (No. 2), N.Y.	22.3	(1)	(1)	—
Chicago Title & Trust	21.6	14.7	10.2	6
CIGNA Corp. (Inter.), Conn.	21.9	17.7	(1)	—
CIGNA Corp. (Pub. Trade), Conn.	23.3	16.3	10.9	3
Citicorp, N.Y.	25.2	17.3	10.9	3
Citizens Fidelity, Ky.	19.1	14.7	10.5	4
Citizens & Southern, Ga.	17.4	14.7	8.6	10
Citytrust, Conn.	20.9	15.5	10.2	6
Colonial Amer. Natl., Va.	23.2	17.0	10.6	4
Colorado Natl. Bank	22.6	16.3	10.5	4
Comerica Bank (Com.), Mich.	24.1	14.7	10.3	5
Comerica Bank (Int.), Mich.	16.0	(1)	(1)	—
Commerce Bank, K.C., Mo.	25.3	14.9	9.7	7
Commerce Union, Tenn.	21.8	16.4	11.4	2
Commonwealth Natl., Pa.	11.1	14.3	9.8	7
Confederation Life, Ont.	20.8	15.4	9.4	9
Connecticut Bank & Trust	17.5	12.8	8.1	10
Connecticut Natl. Bank	29.0	17.8	10.9	3
Connecticut Natl. Bank (Int.)	24.4	(1)	(1)	—
Continental Bank, Pa.	17.5	11.4	8.6	10
Continental Illinois	22.6	13.1	9.1	10
County Bank of St. Louis	17.0	14.4	10.0	6
Crocker National, Calif.	23.1	17.1	10.9	3
Crown Life, Ont.	21.1	14.9	9.2	9
Cullen Bank, Texas	18.6	16.7	11.1	2
Dauphin Deposit (Corp.), Pa.	20.7	15.1	(1)	—
Dauphin Deposit (Short Term), Pa.	11.5	(1)	(1)	—
Equitable Bank, Md.	18.5	12.7	9.5	8
Equitable Life, N.Y.	23.9	14.8	8.9	10
Exchange Natl. Bank, Ill.	22.6	15.6	10.2	6
Fidelity Bank, Pa.	24.1	16.6	12.1	1
Fidelity National, La.	16.2	15.1	(1)	—
First Alabama, Mobile	20.0	16.4	10.3	5
First Bank Milwaukee	19.4	16.3	10.6	4
First Citizens, N.C.	13.1	12.9	(1)	—
First City Dallas	18.4	14.9	9.7	8
First City Natl., Houston	22.5	14.6	9.6	8
First Fidelity Bank, N.J.	16.1	15.3	9.3	9
First Fidelity Bank (Inter.), N.J.	16.9	15.6	11.5	1
First in Bartlesville, Okla.	13.9	13.7	10.6	4
First Interstate of Ariz.	24.9	17.1	11.4	2
First Interstate of Calif.	23.4	17.2	12.0	1
First Interstate of Denver	30.2	18.0	11.0	2
First Interstate of Nevada	27.0	16.6	(1)	—
First Interstate of Oregon	19.7	14.9	10.3	5
First Interstate of Wash.	20.5	15.4	10.1	6
First Interstate of Wis. (Inc.)	18.0	(1)	(1)	—
First Interstate of Wis. (Mtg.)	11.5	13.5	(1)	—
First Jersey Natl., N.J.	23.3	16.7	12.5	1
First Kentucky Trust	23.1	18.1	11.4	2
First Midwest, Moline, Ill.	17.5	15.7	10.5	4
First Natl., Jackson, Miss.	14.5	14.1	(1)	—
First Natl., Lincoln, Neb.	21.7	15.6	10.3	5
First Natl. of Tulsa, Okla.	17.3	14.2	9.5	8
First of America, Mich.	18.4	12.6	9.2	10
First of Boston	21.2	15.6	9.2	9
First of Chicago	24.4	16.6	10.6	4
First of Cincinnati	19.9	15.3	9.7	7
First of Cincinnati (Int.)	14.4	(1)	(1)	—
First of Elgin (Fund D), Ill.	11.3	12.3	(1)	—
First of Elgin (Fund D1), Ill.	13.5	13.3	(1)	—
First of Kenosha, Wis.	11.6	9.5	6.2	10
First of Maryland	20.7	16.7	10.8	3
First of Minneapolis	17.0	13.9	9.2	9
First of Mobile, Ala.	16.6	14.7	9.6	8
First of Neenah (Int.), Wis.	15.8	13.7	10.7	3
First of Neenah (Long Term), Wis.	16.7	15.0	11.0	2
First of Neenah (Mtg.), Wis.	18.9	15.9	(1)	—
First of Oklahoma	18.7	12.8	8.4	10
First of Omaha, Neb.	22.6	16.6	10.3	5
First of Penna, Erie	15.3	14.6	10.5	4
First of Shreveport, La.	19.5	14.8	(1)	—
First of Toledo	15.0	15.2	10.5	4
First of Warsaw, Ind.	15.3	15.8	10.5	4
First Pennsylvania Bank	18.7	10.2	9.5	8
First Security Natl., Ky.	15.4	(1)	(1)	—
First Tennessee, Chat.	14.3	13.2	9.4	9
First Tennessee Memphis	19.2	14.6	9.8	7
First Trust St. Paul	18.9	15.0	10.0	6
First Union Bank, N.C.	17.5	14.6	9.7	7
First Union Bank (Fund 1), N.C.	22.2	(1)	(1)	—
First United Trust Co. Ill.	17.0	14.9	9.3	9
First Variable Life, Ark.	21.0	17.5	(1)	—
First Wis. Natl., Madison	20.4	17.0	11.3	2
First Wis. Trust (Int.)	19.4	14.1	9.4	9
First Wis. Trust (Pas.)	15.6	(1)	(1)	—
Frost National, Texas	20.6	15.3	(1)	—
Gary Wheaton Bank, Ill.	17.8	15.3	10.2	6
General American (No. 8), Mo.	25.4	(1)	(1)	—
General American (No. 9), Mo.	21.8	(1)	(1)	—
Genesee Merchants, Mich.	17.5	15.6	10.3	5
Greeley National, Colo.	19.4	14.5	10.2	5
Hamilton Bank, Pa.	20.5	16.4	(1)	—
Harris Trust, Ill.	22.9	14.4	9.2	9
Harris Trust (Gain), Ill.	17.7	(1)	(1)	—
Hawaiian Trust	27.4	15.3	10.2	6
Hawaiian Trust (Def.)	10.8	(1)	(1)	—
Hibernia National, La.	21.0	15.8	12.1	1
Home Life, N.Y.	16.5	(1)	(1)	—
HT Investors, R.I.	20.8	14.4	9.3	9
HT Investors (Fund A), R.I.	18.2	(1)	(1)	—
IAA Trust Co. Ill.	23.1	16.6	10.4	5
Indiana National Bank	21.0	15.9	10.8	3
Interfirst Bank, Dallas	21.2	15.7	10.0	6
Interfirst Bank (Int.), Dallas	15.3	14.1	(1)	—
Irving Trust, N.Y.	19.7	15.8	10.3	5
Jefferson Trust, Ill.	17.0	13.6	11.4	2
John Hancock, Mass.	23.5	16.8	11.1	2
Key Trust Co., N.Y.	21.2	16.6	10.9	2
Lake Shore Natl., Ill.	13.5	14.0	9.5	8
Landmark First Natl., Fla.	19.7	14.9	9.6	8
Landmark Union Trust, Fla.	16.5	15.2	10.2	5
LaSalle Natl. (Int.), Ill.	20.5	13.5	9.5	9
LaSalle Natl. (Long Term), Ill.	28.0	(1)	(1)	—
Liberty National, Ky.	22.3	15.8	9.8	7
Liberty National, Okla.	17.8	15.3	9.3	9
Life of Virginia	27.9	19.7	13.1	1
Lincoln Natl. Pens., Ind.	21.5	(1)	(1)	—
Lloyds Bank, Calif.	21.6	17.4	11.1	2
Long Island Trust, N.Y.	13.5	12.7	(1)	—
Manufacturers Detroit	24.0	16.3	11.4	2
Manufacturers Detroit (Fund H)	15.5	(1)	(1)	—
Manufacturers Hanover, N.Y.	21.9	16.0	11.7	1
Manufacturers Life, Ont.	28.2	13.2	(1)	—
Marine Bank, Pa.	16.5	14.5	(1)	—
Marine Midland, N.Y.	20.2	16.9	10.1	6
Maryland National	23.1	13.6	9.0	10
Maryland National (II)	18.1	15.0	(1)	—
Massachusetts Mutual	22.9	14.8	10.5	4
MBank, Austin, Texas	17.5	15.1	10.9	3
Mellon Bank, Pa.	21.9	17.4	11.0	2
Mercantile National, Ind.	16.0	(1)	(1)	—
Mercantile Safe, Md.	18.0	14.6	10.1	6
Mercantile Safe (Int.), Md.	15.3	14.2	(1)	—
Mercantile Trust, Mo.	20.7	16.0	11.5	1
Merchants Natl. (EB), Ind.	17.8	14.5	10.3	5
Merchants Natl., Pa.	19.7	15.3	10.8	3
Metropolitan Life, N.Y.	25.8	(1)	(1)	—
Michigan Natl. of Detroit	16.4	13.2	(1)	—
Mich. Natl. of Grand Rapids	18.3	14.9	9.4	9
Midlantic Natl., N.J.	19.0	15.3	10.4	5
Mid-State Bancorp, Pa.	15.0	14.7	(1)	—
Minnesota Mutual	20.3	15.0	10.4	5
Morgan Guaranty, N.Y.	23.5	16.7	(1)	—
MTrust, Texas	22.2	14.8	9.2	9
Mutual of N.Y. (Private place)	20.2	17.9	(1)	—
Mutual of N.Y. (Public)	21.5	16.6	(1)	—
Natl. Bank of Detroit	21.6	15.6	10.3	5
Natl. Bank of Commerce, Neb.	24.0	15.9	9.9	7
Natl. Bank of Commerce, Tenn.	20.5	15.3	(1)	—
Natl. City Cleveland	23.3	15.2	9.8	7
Natl. of Georgia	17.6	15.2	(1)	—
NCNB Natl. Bank, N.C.	19.8	14.3	10.5	4
New England Mutual, Mass.	20.3	14.6	8.9	10
New Jersey National	12.5	10.9	7.6	10
Northern Central, Pa.	17.6	14.3	(1)	—
Northern Trust, Ill.	22.3	15.3	10.0	7
Northern Trust (Int.), Ill.	13.2	14.8	(1)	—
Norwest Bank, Minn.	20.0	14.7	9.7	7
Old Kent, Mich.	13.3	13.6	9.0	10
Old Second Natl., Ill.	17.8	14.8	(1)	—
Old Second Natl, (No. 10), Ill.	15.8	14.5	(1)	—
Omaha Natl. Bank, Neb.	22.4	12.5	8.3	10
Oregon Bank	20.1	15.6	10.9	3
Pacific Mutual, Calif.	22.4	17.3	12.6	1
Philadelphia Natl., Pa.	21.1	15.4	10.2	6
Pioneer Bank, Ill.	12.1	15.0	(1)	—
Pittsburgh Natl., Pa.	17.0	14.7	(1)	—
Provident Natl., Pa.	22.0	15.7	10.2	6
Prudential (VCA 7) (Active), N.J.	20.0	14.6	10.3	5
Prudential (VCA 8) (Int. bd.), N.J.	15.8	(1)	(1)	—
Puget Sound Natl., Wash.	11.5	13.5	9.5	8
Republic Natl., Dallas	27.0	15.1	9.6	8
Riggs of Washington	18.9	15.8	10.8	3
Seafirst Bank, Wash.	21.5	17.0	12.1	1
Seattle Trust, Wash.	12.3	13.1	9.6	8
Security Natl. Bank, W. Va.	17.2	(1)	(1)	—
Security Pacific (Fund F), Calif.	26.0	(1)	(1)	—
Security Pacific (Fund V), Calif.	29.9	(1)	(1)	—
Shawmut Bank, Mass.	20.3	15.5	(1)	—
Shawmut Bank (Int.), Mass.	12.9	13.7	(1)	—
Society National, Ohio	24.1	17.4	10.7	3
Southeast Bank NA, Fla.	18.8	15.2	10.0	6
Sovran Bank, Va.	22.6	18.5	12.7	1
State Natl., Evanston, Ill.	15.0	14.8	9.5	8
Summit Bank, Ind.	13.4	12.5	8.6	10
Summit Trust Co., N.J.	17.1	14.3	9.9	7
Sun Bank, Fla.	20.6	14.7	9.2	9
Texas American Bank	18.2	15.3	10.1	6
Texas Commerce (Active)	22.7	14.3	12.3	1
Texas Commerce (Low Vol)	17.3	(1)	(1)	—
Third Natl., Nashville, Tenn.	14.8	13.6	9.5	8
Toledo Trust, Ohio	19.0	16.4	10.9	3
Travelers (Acct. D), Conn.	18.2	17.3	(1)	—
Travelers (Acct. P), Conn.	26.8	16.0	(1)	—
Trust Co. of Georgia	24.0	16.1	9.9	7
Trust Svcs of Amer., Calif.	26.6	18.0	11.2	2
Unibanctrust, Ill.	15.2	14.2	10.0	6
Union Central, Ohio	19.2	14.0	9.2	9
Union Labor Life, D.C.	14.5	(1)	(1)	—
Union Natl., Wichita, Kan.	19.4	14.4	(1)	—
Union Trust, Baltimore, Md.	15.0	(1)	(1)	—
United Carolina Bank, N.C.	10.1	12.4	(1)	—
United Missouri, K.C.	15.9	14.7	10.3	5
United of Denver	34.3	19.1	12.1	1
United Virginia Bank (No. 5821)	15.2	14.7	10.0	6
United Virginia Bank (Short Term)	12.3	14.1	(1)	—
US Natl. of Oregon	20.6	14.9	8.9	10
US Trust, N.Y.	21.4	14.2	10.8	3
Valley Fidelity, Tenn.	15.7	14.2	10.0	6
Valley Natl., Ariz.	19.7	15.6	9.7	8
Wheeling Dollar Bank, W. Va.	14.8	15.5	9.6	8
Wilmington Trust, Del.	16.0	11.7	8.3	10
Shearson Lehman G/C Index	**21.3**	**16.2**	**10.4**	**5**

(1) — Fund too new

Top quartile commingled equity funds

3-month returns

	%
New York Life Ins. (No. 1), N.Y.	25.3
Northern Central, Pa.	21.9
Puget Sound Natl., Wash.	21.1
First of America, Mich.	21.0
Guardian Ins. (No. 1), N.Y.	20.8
First Interstate of Denver	20.7
Norwest Bank, Minn.	20.3
Harris Trust, Ill.	20.3
Natl. City, Cleveland	20.2
John Hancock (No. 1L), Mass.	20.1
First Bank Milwaukee	20.0
Philadelphia Natl., Pa.	20.0
Employers Life of Wausau (No. 1)	19.9
First Pennsylvania Bank	19.6
Connecticut Bank & Trust	19.3
Bank of the West, Calif.	19.3
Valley Natl. (No. 1), Ariz.	19.3
Harris Trust, Ill.	19.2
Pacific Mutual, Calif.	19.1
Omaha Natl. Bank, Neb.	18.9
Seattle Trust, Wash.	18.8
First of Maryland	18.8
Texas American Bank	18.8
Chemical Bank (No. 2), N.Y.	18.6
Sun Bank, Fla.	18.6
Fidelity Bank, Pa.	18.6
First Tennessee, Memphis	18.6
Manufacturers Life, Ont.	18.6
First of Toledo, Ohio	18.3
Pittsburgh Natl., Pa.	18.3
New England Mutual	18.3
Liberty Natl., Okla.	18.3
First Interstate of Calif.	18.2
State Street Bank, Mass.	18.2
First of Neenah, Wis.	18.2
Manufacturers Hanover, N.Y.	18.2
First of America, Mich.	18.1
Citizens Fidelity (Fund E), Ky.	18.1
Republic Natl., Dallas	18.0
First of Oklahoma	18.0
Pittsburgh National, Pa.	17.9
Pioneer Bank, Ill.	17.8
John Hancock (No. 1K), Mass.	17.8
Bankers Life, Iowa	17.8
First Natl. of Tulsa	17.8
First of Neenah, Wis.	17.7
Summit Trust Co., N.J.	17.7
Riggs of Washington	17.7
IAA Trust Co. (Fund C), Ill.	17.7
Travelers, Conn.	17.6
Boston Safe Deposit	17.6
First Alabama, Mobile	17.6
Equitable Life (No. 4), N.Y.	17.5
Commerce Bank, K.C., Mo.	17.4
LaSalle National, Ill.	17.4
Prudential (5000), N.J.	17.4
Bankers Trust, N.Y.	17.3
Valley Fidelity, Tenn.	17.3
Lincoln Natl. Pens., Ind.	17.3
First of Shreveport, La.	17.2
Merchants Natl., Pa.	17.2
Standard & Poor's 500	**17.2**

1-year returns

	%
New York Life Ins. (No. 1)	48.4
Sun Bank, Fla.	47.8
Pioneer Bank, Ill.	47.4
MTrust, Fort Worth	41.8
First of Neenah, Wis.	41.1
Northern Central, Pa.	40.1
New Jersey National	40.0
Summit Trust Co., N.J.	39.4
Continental Bank, Pa.	38.5
First of Neenah, Wis.	37.8
First Kentucky Trust	37.7
Puget Sound Natl., Wash.	37.1
Valley Natl. (No. 1), Ariz.	37.1
American Fletcher, Ind.	37.1
Philadelphia National	37.0
New England Mutual	36.8
US Trust, N.Y.	36.8
Seattle Trust, Wash.	36.8
First Interstate of Denver	36.7
American Natl., Chicago	36.6
Connecticut Bank & Trust	36.4
John Hancock (No. 1L), Mass.	36.3
Society National, Ohio	36.2
Manufacturers Detroit	35.8
InterFirst Bank Dallas	35.8
Fidelity Bank, Pa.	35.5
Barnett Banks Trust Co., Fla.	35.4
First Jersey Natl., N.J.	35.2
Omaha Natl. Bank	35.2
Natl. City Cleveland	35.1
Merchants Natl. (No. 1), Ind.	34.9
Citizens Chillicothe (B), Mo.	34.8
Pittsburgh National	34.8
Old Kent, Mich.	34.7
Republic Natl., Dallas	34.6
State Natl., Evanston, Ill.	34.6
First Interstate of Ariz.	34.4
Harris Trust, Ill.	34.3
Mellon Bank, Pa.	34.2
First of Boston, Mass.	34.1
Metropolitan Life (No. 40), N.Y.	34.0
Bank of California	33.7
Bankers Life, Iowa	33.7
Riggs of Washington	33.6
Guardian Insurance (No. 1), N.Y.	33.6
Chemical Bank (No. 2), N.Y.	33.4
Home Life, N.Y.	33.4
Central Fidelity, Va.	33.4
First Fidelity Bank, N.J.	33.4
State Street Bank (Fund I), Mass.	33.2
Morgan Guaranty, N.Y.	33.1
US Natl. of Galveston	33.1
Bank of Tokyo, N.Y.	33.0
State Street Bank, Mass.	33.0
Liberty Natl., Okla.	32.9
AmeriTrust, Ohio	32.9
Summit Bank, Ind.	32.8
CNA Insurance (Acct. A), Ill.	32.8
First Security Natl., Ky.	32.8
Equitable Life (No. 4), N.Y.	32.7
First Wis. Natl., Madison	32.7
Confederation Life, Ont.	32.7
Frost Natl. (Fund A), Texas	32.5
Cullen Bank, Texas	32.5
First of America, Mich.	32.5
Standard & Poor's 500	**31.8**

3-year returns

	%
Sun Bank, Fla.	31.5
LaSalle National, Ill.	27.1
MTrust, Fort Worth	27.0
Bank of New England	26.5
Manufacturers Life, Ont.	26.1
First Interstate of Oregon	26.1
First Union Bank, N.C.	25.7
Guardian Insurance (No. 1), N.Y.	25.1
Provident Natl., Pa.	24.2
Prudential, N.J.	24.2
Republic Natl., Dallas	23.8
Manufacturers Detroit	23.6
First of America, Mich.	23.5
American Natl., Chicago	23.2
New Jersey National	23.0
Fidelity Mgmt. Trust, Mass.	22.8
Pioneer Bank, Ill.	22.8
US Natl. of Galveston	22.7
Mellon Bank, Pa.	22.5
John Hancock (No. 1L), Mass.	22.5
US Trust, N.Y.	22.5
First Wis. Natl., Madison	22.2
First of Omaha (Fund D)	22.1
Mercantile Safe, Md.	22.0
Natl. Bank of Commerce, Tenn.	21.9
Mercantile Trust, Mo.	21.8
Cullen Bank, Texas	21.6
First Fidelity Bank, N.J.	21.6
Bankers Life, Iowa	21.5
Marine Midland, N.Y.	21.3
Lake Shore Natl., Ill.	21.3
Frost Natl. (Fund A), Texas	21.2
AmeriTrust, Ohio	21.2
John Hancock (No. 1K), Mass.	21.1
First Jersey Natl., N.J.	21.1
Lincoln Natl., Ind.	20.8
Seattle Trust, Wash.	20.7
Old Kent, Mich.	20.6
Connecticut Mutual Life	20.6
State Natl., Evanston, Ill.	20.6
New York Life Ins. (No. 1), N.Y.	20.6
First of Warsaw, Ind.	20.4
Centerre Trust, Mo.	20.3
Mutual Benefit, N.J.	20.2
Continental Bank, Pa.	20.2
Bank of the West, Calif.	20.2
Bankers Trust, N.Y.	20.1
Mutual Serv. Life (Acct. B), Minn.	20.1
Confederation Life, Ont.	20.0
Citytrust (E1), Conn.	19.9
First Pennsylvania Bank	19.9
Landmark Union Tr., Fla.	19.9
American Natl., Chicago	19.9
Society Natl., Ohio	19.9
Colorado National Bank	19.8
Dauphin Deposit, Pa.	19.8
Standard & Poor's 500	**19.7**
Massachusetts Mutual	19.7
State Street Bank, Mass.	19.7
Sovran Bank, Va.	19.6
Oregon Bank	19.6
First of Neenah, Wis.	19.6
First Alabama, Mobile	19.6

5-year returns

	%
Sun Bank, Fla.	26.8
First Union Bank, N.C.	23.7
Manufacturers Life, Ont.	23.4
First Variable Life, Ark.	22.8
First Fidelity Bank, N.J.	22.2
Resource Bank & Trust, Minn.	22.0
Guardian Insurance (No. 1), N.Y.	21.2
AmSouth, Ala.	21.0
United of Denver, Colo.	21.0
Manufacturers Detroit	20.8
US Natl. of Galveston	20.6
American Natl., Chicago	20.4

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Top equity funds by size

1-year returns

Over $100 million

	%
Sun Bank, Fla.	47.8
Philadelphia National	37.0
American Natl., Chicago	36.6
John Hancock, Mass.	36.3
Manufacturers Detroit	35.8
Natl. City, Cleveland	35.1
Mellon Bank, Pa.	34.2
Metropolitan Life, N.Y.	34.0
Bankers Life, Iowa	33.7
Morgan Guaranty, N.Y.	33.1

$50 million to $100 million

	%
New York Life (No. 1)	48.4
Continental Bank, Pa.	38.5
First Interstate of Denver	36.7
InterFirst Bank, Dallas	35.8
Fidelity Bank, Pa.	35.5
First Jersey National	35.2
Old Kent, Mich.	34.7
First of Boston	34.1
First of America, Mich.	32.5
Marine Midland, N.Y.	32.2

$10 million to $50 million

	%
MTrust, Fort Worth	41.8
Northern Central, Pa.	40.1
New Jersey National	40.0
Summit Trust Co., N.J.	39.4
First of Neenah, Wis.	37.8
First Kentucky Trust	37.7
Valley Natl. (No. 1), Ariz.	37.1
New England Mutual	36.8
Seattle Trust, Wash.	36.8
Connecticut Bank & Trust	36.4

Under $10 million

	%
Pioneer Bank, Ill.	47.4
Lincoln National, Ind.	44.1
First of Neenah, Wis.	41.1
Puget Sound Natl., Wash.	37.1
American Fletcher, Ind.	37.1
Pittsburgh National	34.8
State Natl., Evanston, Ill.	34.6
Bank of California	33.7
Confederation Life, Ont.	32.7
First of Mobile, Ala.	31.7

10-year returns

Over $100 million

	%
First Wis. Natl., Madison	20.8
US Natl. of Oregon	19.2
Provident Natl., Pa.	18.3
Bankers Life, Iowa	18.2
Bessemer Trust, N.Y.	18.0
Sun Bank, Fla.	17.3
MTrust, Texas	17.1
Massachusetts Mutual	16.7
Manufacturers Detroit	16.7
Aetna Life & Cas., Conn.	16.6

$50 million to $100 million

	%
Manufacturers Life, Ont.	26.4
AmSouth, Ala.	18.1
First Interstate of Denver	17.8
First of America, Mich.	17.1
Continental Bank, Pa.	16.2
First Jersey Natl., N.J.	16.0
Chicago Title & Trust	15.4
First Tennessee, Memphis	14.5
Sentry Life (Acct. B), Wis.	13.9
Mercantile Safe, Md.	13.7

$10 million to $50 million

	%
Guardian Ins. (No. 1), N.Y.	22.2
US Natl. of Galveston	20.3
First Variable Life, Ark.	20.1
Citizens Chillicothe (B), Md.	20.0
First of Omaha (Fnd. D)	17.7
MTrust, Fort Worth	17.5
First of Oklahoma	17.4
Landmark Union Trust, Fla.	17.3
New England Mutual	17.1
Natl. Bank of Comm., Neb.	16.7

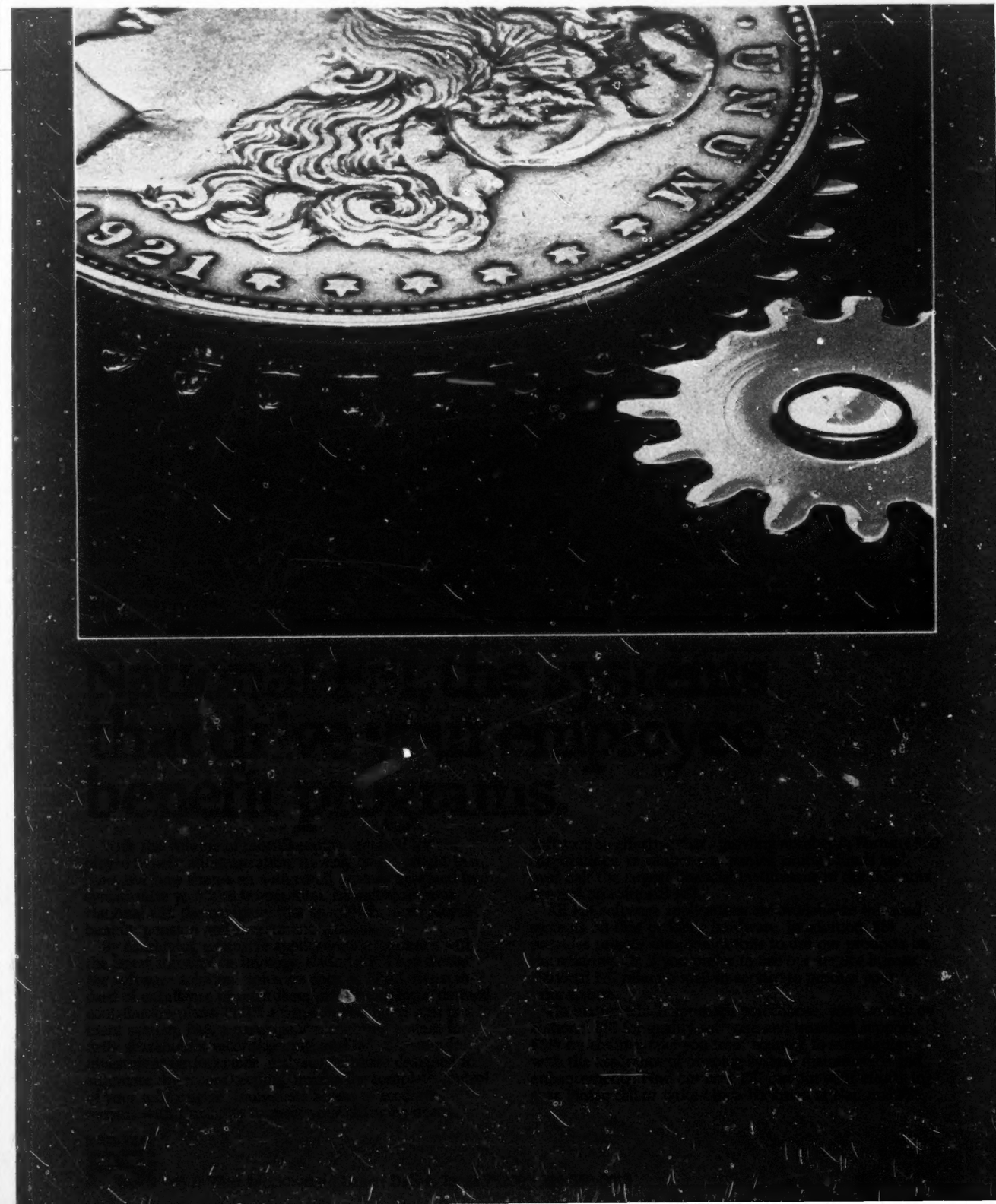
Under $10 million

	%
Confederation Life, Ont.	18.6
State Natl., Evanston, Ill.	16.9
Wheeling Dollar Bank	15.5
Pittsburgh National	15.0
Lake Shore Natl., Ill.	14.9
First of Neenah, Wis.	14.7
Unibanctrust, Ill.	14.3
First of Warsaw, Ind.	14.1
First of Kenosha (No. 4001)	13.7
Union Trust (D) Baltimore	13.5
First of Omaha (Fund D), Neb.	19.7
Prudential, N.J.	19.7
Mutual Benefit, N.J.	19.5
Lake Shore Natl., Ill.	19.5
First Wis. Natl., Madison	19.5
Pioneer Bank, Ill.	19.4
Provident Natl., Pa.	19.2
First Interstate of Oregon	19.1
Dauphin Deposit, Pa.	18.9
First Wisconsin Trust	18.9
Midlantic Natl., N.J.	18.9
Dominion Trust, Va.	18.8
First of Oklahoma	18.7
New England Mutual, Mass.	18.7
First of America, Mich.	18.6
Connecticut Mutual Life	18.6
Massachusetts Mutual	18.5
Confederation Life, Ont.	18.1
Landmark Union Trust, Fla.	18.0
Colorado National Bank	17.8
Barnett Banks Trust Co., Fla.	17.8
US Natl. of Oregon	17.7
First Security Natl. (Fund D), Ky.	17.7
Mid-State Bancorp, Pa.	17.6
Natl. Bank of Commerce, Tenn.	17.6
Seattle Trust, Wash.	17.6
Shawmut Bank, Mass.	17.4
Wheeling Dollar Bank, W. Va.	17.3
Bank of Tokyo, N.Y.	17.2
First Pennsylvania Bank	17.2
New Jersey National	17.1
Society Natl., Ohio	17.1
First Alabama Bank (No. 1)	17.0
Old Kent, Mich.	17 0
First of Warsaw, Ind.	16.9
Union Contral, Ohio	16.9
Centerre Trust, Mo.	16.8
United Carolina Bank, N.C.	16.7
AmeriTrust, Ohio	16.7
Citytrust (E1), Conn.	16.7
Gary Wheaton Bank, Ill.	16.7
Republic Natl., Dallas	16.5
Texas Commerce	16.4
First Citizens, N.C.	16.4
State Street Bank, Mass.	16.4
United Virginia Bank (No. 5822)	16.3
First Bank Milwaukee	16.3
State Natl., Evanston, Ill.	16.3
Minnesota Mutual (Acct. C),	16.3
Standard & Poor's 500	**14.7**

10-year returns

	%
Manufacturers Life, Ont.	26.4
Guardian Ins. (No. 1), N.Y.	22.2
First Wis. Natl., Madison	20.8
US Natl. of Galveston	20.3
First Variable Life, Ark.	20.1
Citizens Chillicothe (B), Mo.	20.0
US Natl. of Oregon	19.2
Confederation Life, Ont.	18.6
Provident Natl., Pa.	18.3
Bankers Life, Iowa	18.2
AmSouth, Ala.	18.1
Bessemer Trust, N.Y.	18.0
First Union Bank, N.C.	18.0
First Interstate of Denver	17.8
First of Omaha (Fund D)	17.7
MTrust, Fort Worth	17.5
First of Oklahoma	17.4
Landmark Union Tr., Fla.	17.3
Sun Bank, Fla.	17.3
First of America, Mich.	17.1
MTrust, Texas	17.1
New England Mutual	17.1
State Natl., Evanston, Ill.	16.9
Massachusetts Mutual	16.7
Manufacturers Detroit	16.7
Natl. Bank of Com., Neb.	16.7
Aetna Life & Cas., Conn.	16.6
Equitable Life (No. 4), N.Y.	16.6
Employers Life of Wausau, Wis.	16.3
United of Denver	16.3
Continental Bank, Pa.	16.2
Penn Mutual Life (Acct. A)	16
First Interstate of Oregon	16
First Jersey Natl., N.J.	16
Home Life, N.Y.	16
Colorado Natl. Bank	15
First Interstate of Wash.	15
Natl. City, Cleveland	15
IAA Trust (Fund C), Ill.	15
Wheeling Dollar Bank, W. Va.	15
Liberty Natl., Okla.	15
Chicago Title & Trust	15
Valley Fidelity, Tenn.	15
First Natl., Lincoln, Neb.	15
Citytrust (E1), Conn.	15
Texas Commerce	15
Bank of Tokyo, N.Y.	15
United Virginia Bank (No. 5822)	15
Pittsburgh National	15
Lake Shore Natl., Ill.	14
Philadelphia Natl., Pa.	14
Bank of Oklahoma, Tulsa	14
Standard & Poor's 500	**14**

An update on computer products available to fund managers appears March 3.



Top quartile commingled fixed-income funds

3-month returns

	%
Centerre Trust, Mo.	13.8
United of Denver, Colo.	13.5
Manufacturers Life, Ont.	13.3
Chase Manhattan, N.Y.	12.8
First Interstate of Denver	11.7
LaSalle National, Ill.	11.6
Commerce Bank, K.C. Mo.	11.0
Republic Natl., Dallas	10.9
Travelers (Acct. P), Conn.	10.6
Hawaiian Trust	10.6
Connecticut National Bank	10.5
Metropolitan Life (No. 41), N.Y.	10.3
Life of Virginia	10.1
CIGNA Corp., Conn.	9.9
First of Chicago	9.6
First Union Bank (Fund 1), N.C.	9.6
Trust Co. of Georgia	9.3
General American (Acct. 8), Mo.	9.3
First Jersey Natl., N.J.	9.2
Natl. Bank of Commerce, Neb.	9.0
MTrust, Texas	8.8
Trust Svcs of Amer., Calif.	8.8
Citizens & Southern, Ga.	8.8
Crocker Natl. (Fund R), Calif.	8.7
Maryland National	8.7
Chase Manhattan, N.Y.	8.7
Bank of New England, Mass.	8.7
Security Pacific, Calif.	8.7
Aetna Life & Cas. (No. 76), Conn.	8.6
Beverly Bank, Ill.	8.6
Connecticut National Bank	8.6
Chase Manhattan (A), N.Y.	8.5
Shawmut Bank, Mass.	8.5
Hibernia National, La.	8.5
Equitable Life (No. 5), N.Y.	8.4
Citicorp, N.Y.	8.4
Comerica Bank, Mich.	8.4
Exchange Natl. Bank, Ill.	8.4
Colorado National Bank	8.4
First of Omaha (Fund C), Neb.	8.4
National City Cleveland	8.3
Fidelity Bank, Pa.	8.3
Harris Trust, Ill.	8.2
First of Boston, Mass.	8.2
First Interstate of Nevada	8.2
American Security, D.C.	8.2
Continental Illinois	8.2
Bankers Trust (Fund A), N.Y.	8.2
Society National, Ohio	8.1
Massachusetts Mutual	8.1
First City Natl., Houston	8.1
Omaha National Bank, Neb.	8.1
IAA Trust Co. (Fund B), Ill.	8.1
Colonial American Natl., Va.	8.1
First Interstate of Calif.	8.1
Philadelphia Natl., Pa.	8.0
Bessemer Trust, N.Y.	8.0
First Interstate of Ariz.	8.0
First Interstate of Wis.	8.0
Associated Manitowoc, Wis.	7.9
Bankers Life, Iowa	7.9
Interfirst Bank Dallas	7.9
Lincoln Natl. Pens., Ind.	7.9
Prudential (Vca 7), N.J.	7.8
Chicago Title & Trust, Ill.	7.8
Chemical Bank (No. 1), N.Y.	7.8
Chemical Bank (No. 2), N.Y.	7.8
Key Trust Co., N.Y.	7.8
Manufacturers Detroit	7.8
Shearson Lehman G/C Index	**7.6**

1-year returns

	%
United of Denver	34.3
Centerre Trust, Mo.	32.5
First Interstate of Denver	30.2
Security Pacific (V), Calif.	29.9
Connecticut Natl. Bank	29.0
Manufacturers Life, Ont.	28.2
LaSalle National, Ill.	28.0
Life of Virginia	27.9
Hawaiian Trust	27.4
First Interstate of Nevada	27.0
Republic National Dallas	27.0
Travelers (Acct. P), Conn.	26.8
Trust Svcs of Amer., Calif.	26.6
Security Pacific, Calif.	26.0
Metropolitan Life (No. 41), N.Y.	25.8
General American (Acct. 8), Mo.	25.4
Commerce Bank, K.C. Mo.	25.3
AmSouth, Ala.	25.3
Citicorp, N.Y.	25.2
First Interstate of Ariz.	24.9
Aetna Life & Cas. (No. 76), Conn.	24.6
Chase Manhattan, N.Y.	24.6
Bankers Life, Iowa	24.5
Connecticut National Bank	24.4
First of Chicago	24.4
American Security, D.C.	24.3
Fidelity Bank, Pa.	24.1
Society National, Ohio	24.1
Comerica Bank, Mich.	24.1
Bessemer Trust, N.Y.	24.0
Natl. Bank of Commerce, Neb.	24.0
Trust Co. of Georgia	24.0
Manufacturers Detroit	24.0
Equitable Life (No. 5), N.Y.	23.9
Beverly Bank, Ill.	23.6
Bank of New England, Mass.	23.5
Chemical Bank (No. 1), N.Y.	23.5
Bankers Trust (Fund A), N.Y.	23.5
John Hancock, Mass.	23.5
Morgan Guaranty, N.Y.	23.5
First Interstate of Calif.	23.4
CIGNA Corp., Conn.	23.3
Natl. City Cleveland	23.3
First Jersey Natl., N.J.	23.3
Colonial Am. Natl., Va.	23.2
Bank of California	23.2
Maryland National	23.1
Crocker Natl. (Fund R), Calif.	23.1
IAA Trust Co. (Fund B), Ill.	23.1
First Kentucky Trust	23.1
Harris Trust, Ill.	22.9
Massachusetts Mutual	22.9
Texas Commerce	22.7
Continental Illinois	22.6
Sovran Bank, Va.	22.6
Chase Manhattan (A), N.Y.	22.6
Colorado Natl. Bank	22.6
Exchange Natl. Bank, Ill.	22.6
First of Omaha (Fund C), Neb.	22.6
First City Natl., Houston	22.5
Omaha National Bank, Neb.	22.4
Pacific Mutual, Calif.	22.4
Chemical Bank (No. 2), N.Y.	22.3
Northern Trust, Ill.	22.3
Liberty National, Ky.	22.3
Shearson Lehman G/C Index	**21.3**

3-year returns

	%
Security Pacific (V), Calif.	19.4
Life of Virginia	18.8
United of Denver	18.6
Trust Svcs of Amer., Calif.	17.8
IAA Trust Co. (Fund B), Ill.	17.4
First Interstate of Denver	17.3
First Variable Life, Ark.	17.1
Beverly Bank, Ill.	17.0
First Alabama, Mobile	17.0
First Interstate of Nevada	16.9
Connecticut National Bank	16.7
Central Fidelity, Va.	16.7
Centerre Trust, Mo.	16.6
Mutual of New York	16.6
CIGNA Corp., Conn.	16.3
First Interstate of Calif.	16.3
First Interstate of Ariz.	16.3
Mutual of New York	16.2
Lloyds Bank, Calif.	16.1
California First Bank	16.0
Security Pacific (F), Calif.	16.0
Sovran Bank, Va.	15.9
Key Trust Co., N.Y.	15.8
First of Chicago	15.7
Citicorp, N.Y.	15.7
Colorado National Bank	15.6
First Kentucky Trust	15.5
Crocker Natl. (Fund R), Calif.	15.5
Morgan Guaranty, N.Y.	15.5
Hamilton Bank, Pa.	15.4
CIGNA Corp., Conn.	15.3
Colonial Am. Natl., Va.	15.3
First Jersey Natl., N.J.	15.3
First of Omaha (Fund C), Neb.	15.2
Pacific Mutual, Calif.	15.2
John Hancock, Mass.	15.2
American Security, D.C.	15.1
First Wis. Natl., Madison	15.1
Manufacturers Detroit	15.1
Aetna Life & Cas. (No. 76), Conn.	15.1
General American (Acct. 9), Mo.	15.1
General American (Acct. 8), Mo.	15.0
Travelers (Acct. D), Conn.	14.9
Travelers (Acct. P), Conn.	14.9
Toledo Trust, Ohio	14.8
First of Neenah, Wis.	14.8
Exchange Natl. Bank, Ill.	14.7
AmSouth, Ala.	14.7
Oregon Bank	14.7
Society National, Ohio	14.7
Chemical Bank (No. 1), N.Y.	14.7
First of Maryland	14.6
Shearson Lehman G/C Index	**14.6**

5-year returns

	%
Life of Virginia	19.7
United of Denver	19.1
Sovran Bank, Va.	18.5
Centerre Trust, Mo.	18.5
First Kenturuky Trust	18.1
Trust Svcs of Amer., Calif.	18.0
First Interstate of Denver	18.0
Mutual of New York	17.9
Connecticut National Bank	17.8
CIGNA Corp., Conn.	17.7
Beverly Bank, Ill.	17.6
American Security, D.C.	17.6
First Variable Life, Ark.	17.5

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1-year returns

Over $100 million

	%
Centerre Trust, Mo.	32.5
LaSalle National, Ill.	28.0
Life of Virginia	27.9
Aetna Life & Cas., Conn.	24.6
Chase Manhattan, N.Y.	24.6
Bankers Life, Iowa	24.5
First of Chicago	24.4
American Security, D.C.	24.3
Equitable Life, N.Y.	23.9
John Hancock, Mass.	23.5

$50 million to $100 million

	%
First Interstate of Denver	30.2
Metropolitan Life, N.Y.	25.8
Comerica Bank, Mich.	24.1
Chemical Bank (No. 1), N.Y.	23.5
Bankers Trust, N.Y.	23.5
Massachusetts Mutual	22.9
Sovran Bank, Va.	22.6
Chemical Bank (No. 2), N.Y.	22.3
MTrust, Texas	22.2
Provident Natl., Pa.	22.0

$10 million to $50 million

	%
United of Denver	34.3
Security Pacific (V), Calif.	29.9
Hawaiian Trust	27.4
Trust Svcs of Amer., Calif.	26.6
Security Pacific (F), Calif.	26.0
General Amer. (No. 8), Mo.	25.4
Commerce Bank, K.C. Mo.	25.3
AmSouth, Ala.	25.3
Connecticut National	24.4
Fidelity Bank, Pa.	24.1

Under $10 million

	%
Connecticut National Bank	29.0
Manufacturers Life, Ont.	28.2
First Interstate of Nevada	27.0
Beverly Bank, Ill.	23.6
Colonial Am. Natl., Va.	23.2
Bank of California	23.2
Maryland National	23.1
IAA Trust Co., Ill.	23.1
American National, Minn.	21.8
First Natl., Lincoln, Neb.	21.7

10-year returns

Over $100 million

	%
Life of Virginia	13.1
Texas Commerce	12.3
Centerre Trust, Mo.	12.2
American Security, D.C.	11.9
Manufacturers Hanover	11.7
Boatmen's Natl., Mo.	11.3
John Hancock, Mass.	11.1
CIGNA Corp., Conn.	10.9
First of Chicago	10.6
NCNB Natl., N.C.	10.5

$50 million to $100 million

	%
Sovran Bank, Va.	12.7
Hibernia Natl., La.	12.1
First Interstate of Denver	11.0
Bankers Trust (Fnd. A), N.Y.	10.8
Bankers Trust (Fnd. B), N.Y.	10.7
American Natl., Chicago	10.5
Massachusetts Mutual	10.5
Midlantic Natl., N.J.	10.4
Irving Trust, N.Y.	10.3
Comerica Bank, Mich.	10.3

$10 million to $50 million

	%
Pacific Mutual, Calif.	12.6
First Jersey National	12.5
Seafirst Bank, Wash.	12.1
United of Denver	12.1
Fidelity Bank, Pa.	12.1
First Interstate of Calif.	12.0
First Fidelity, N.J.	11.5
Manufacturers Detroit	11.4
First Kentucky Trust	11.4
Commerce Union, Tenn.	11.4

Under $10 million

	%
Beverly Bank, Ill.	12.7
Central Fidelity, Va.	12.1
First of Neenah, Wis.	11.0
Key Trust Co., N.Y.	10.9
Connecticut National	10.9
Oregon Bank	10.9
MBank, Austin, Texas	10.9
Merchants Natl., Pa.	10.8
First of Maryland	10.8
Pacific Mutual, Calif.	17.3
Travelers (Acct. D), Conn.	17.3
Citicorp, N.Y.	17.3
First Interstate of Calif.	17.2
Bankers Trust (Fund A), N.Y.	17.2
Central Fidelity, Va.	17.2
First Interstate of Ariz.	17.1
Crocker Natl. (Fund R), Calif.	17.1
Seafirst Bank, Wash.	17.0
First Wis. Natl., Madison	17.0
Colonial Am. Natl., Va.	17.0
Marine Midland, N.Y.	16.9
John Hancock, Mass.	16.8
Morgan Guaranty, N.Y.	16.7
Cullen Bank, Texas	16.7
Associated Manitowoc, Wis.	16.7
AmSouth, Ala.	16.7
Allied Bank, Texas	16.7
First of Maryland	16.7
First Jersey Natl., N.J.	16.7
Key Trust Co., N.Y.	16.6
Mutual of New York	16.6
First Interstate of Nev.	16.6
Bank of California	16.6
First of Omaha (Fund C), Neb.	16.6
Fidelity Bank, Pa.	16.6
IAA Trust Co. (Fund B), Ill.	16.6
First of Chicago	16.6
First Alabama, Mobile	16.4
Commerce Union, Tenn.	16.4
Toledo Trust, Ohio	16.4
Hamilton Bank, Pa.	16.4
Colorado National Bank	16.3
CIGNA Corp., Conn.	16.3
Bank of New England, Mass.	16.3
Manufacturers Detroit	16.3
First Bank Milwaukee, Wis.	16.3
Shearson Lehman G/C Index	**16.2**

10-year returns

	%
Life of Virginia	13.1
Sovran Bank, Va.	12.7
Beverly Bank, Ill.	12.7
Pacific Mutual, Calif.	12.6
First Jersey Natl., N.J.	12.5
Texas Commerce	12.3
Centerre Trust, Mo.	12.2
Seafirst Bank, Wash.	12.1
United of Denver	12.1
Fidelity Bank, Pa.	12.1
Central Fidelity, Va.	12.1
Hibernia National, La.	12.1
First Interstate of Calif.	12.0
American Security, D.C.	11.9
Manufacturers Hanover, N.Y.	11.7
Mercantile Trust, Mo.	11.5
First Fidelity Bank, N.J.	11.5
Manufacturers Detroit	11.4
First Kentucky Trust	11.4
Commerce Union, Tenn.	11.4
Jefferson Trust, Ill.	11.4
First Interstate of Ariz.	11.4
First Wis. Natl., Madison	11.3
Boatmen's National, Mo.	11.3
Trust Svcs of Amer., Calif.	11.2
Cullen Bank, Texas	11.1
American Natl. Bank, Tenn.	11.1
Lloyds Bank (Fund C), Calif.	11.1
John Hancock, Mass.	11.1
Bank of New England, Mass.	11.1
First Interstate of Denver	11.0
Mellon Bank, Pa.	11.0
First of Neenah, Wis.	11.0
Allied Bank, Texas	11.0
Key Trust Co., N.Y.	10.9
Connecticut National Bank	10.9
Oregon Bank	10.9
Crocker Natl. (Fund R), Calif.	10.9
CIGNA Corp., Conn.	10.9
California First Bank	10.9
Toledo Trust, Ohio	10.9
MBank, Austin, Texas	10.9
Citicorp, N.Y.	10.9
Bankers Trust (Fund A), N.Y.	10.8
Indiana National Bank	10.8
Merchants Natl., Pa.	10.8
Riggs of Washington	10.8
First of Maryland	10.8
US Trust, N.Y.	10.8
Shearson Lehman G/C Index	**10.4**

INDATA reports 1985 performance

SOUTHPORT, Conn. — More than half of the money managers in INDATA's universe outperformed the Standard & Poor's 500 stock index during 1985.

The median manager in the INDATA universe was up 31.8% for the year, compared with 31.7% for the S&P 500.

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Cash Management

J.C. Penney targets retail lockboxing

By Richard J. Gillespie

NEW YORK — The credit card processing division of J.C. Penney Co. Inc. is campaigning aggressively to win a slice of the cash management market that most banks don't seem to like — retail lockboxing.

J.C. Penney Credit Services Inc., a subsidiary of the retailer, wants to process low-dollar lockbox payments and remittances for other corporations, according to Steven Kernkraut, president.

Retail lockboxing is a product some banks have discouraged because of high initial investment costs and low margins, said Mr. Kernkraut.

"I have a feeling other banks don't like to do it because it is a high-volume product which does not have a high profit potential, and to get it to have a high profit potential you have to make a significant investment in equipment," he said.

Recently two other non-bank lockbox systems ran into trouble.

Equitable Life Insurance Co. had been offering a wholesale lockbox system in conjunction with The Chase Manhattan Bank. That agreement has been terminated. And a lockbox product Sears, Roebuck & Co. was marketing in concert with Mellon Bank of Pittsburgh also was withdrawn.

Mr. Kernkraut believes J.C. Penney will succeed where others have failed.

Using state-of-the-art technology, the subsidiary plans to shave at least 25% off the current per-item cost of the retail lockboxing charges of banks. Retail lockboxing generally runs between 14 cents and 17 cents per item.

The new subsidiary is attracted to the area because J.C. Penney already has made a $15 million investment in video processing equipment, which it needs to process its 25 million-subscriber credit card base, said Mr. Kernkraut.

The subsidiary has installed its video image-processing equipment at its three processing sites: San Antonio, Texas; Orlando, Fla.; and Albuquerque, N.M.

In all, J.C. Penney's current monthly processing of 10 million monthly payments leaves plenty of room on the system for more business. Mr. Kernkraut said the total processing could be doubled under its existing configuration, and was limitless with additions to existing facilities.

Because of its technology, Mr. Kernkraut believes the credit services concern can not only slash the bank price on corporate lockboxing business, but also do third-party processing for banks and still turn a profit.

Recently, J.C. Penney Credit Services signed Commerce Union Bank of Tennessee, Nashville. Under the deal, the credit subsidiary is now processing that bank's retail lockbox business, including its credit card and mortgage payments processing. While the bank had no outside retail lockbox clients, Mr. Kernkraut said a local telephone answering service had shown interest.

If that company signs, all its checks and invoices will be mailed directly to the Commerce Union Bank's lockbox address in Nashville, from where they will be delivered by courier to Orlando for processing.

J.C. Penney Credit Services handles all its clearing through local banks, and its negotiated clearing schedules are based on J.C. Penney's massive volumes.

Asked whether the additional time taken to send items to and from Orlando might not create excessive delays in the payment cycle, Mr. Kernkraut said per item processing costs were mor significant.

"Typically you might expect t place your lockbox operation lo cally to get the float advantage," h said.

"But when you go through th economics of a retail lockbo where the average transaction siz is $30 or $40, it works out that th most critical element is the per item cost of processing.

"If you can drive your per-iten cost low enough it turns out tha you can even lose one whole day o float and still be better off bein where we are in the Southeast an Southwest."

In 1982, J.C. Penney consolidate its 11-point lockbox network int the three Sun Belt cities. He sai the benefits of the move include the avoidance of weather delay and the ability to attract a mor flexible work force.

J.C. Penney's initiation into th payments processing market fel out of a 1982 planning and develop ment paper that recommended th establishment of J.C. Penne Credit Services, which took plac in 1985.

In addition to organizing J.C Penney's 25 million-subscriber bas credit card operations, Mr Kernkraut said the subsidiary wa set up to market its experience an expertise in credit card marketin and payments processing to outsid concerns.

Recently the concern signed it

Continued on page 4

Three views of J.C. Penney Credit Services Inc.: The payment processing scanning operation, left; a video display terminal with stub and check image, center; and the supervisory terminals for the system.

Utility boosts investment power

By Fred Williams

ROCHESTER, Minn. — Most short-term portfolio managers would agree results hinge on speed, accuracy and flexibility.

They also would agree they can use considerable help in tracking floating-rate investment options in which a quarter of a point in price or a few hours can make a substantial difference.

Just less than two years ago, the financial services division of Southern Minnesota Municipal Power Agency began using a software package designed to track the investment of corporate cash and make short-term fixed-income investing and bond swaps simpler and more profitable.

The software also bridges the gap between the treasury and accounting departments, said John Lentz, financial services manager of the agency. He is responsible for the $350 million cash portfolio and keeps the agency on track in matching cash requirements with the payment schedule associated with its construction program.

The agency, a generation and power transmission firm that supplies electricity to 18 southern Minnesota cities, is a partner with Northern States Power Corp. in building a $750 million electric generating plant in Becker, Minn.; it has a 41% interest in the project.

Before the installation of the minicomputer-based package, actively managing the 10 portfolios and matching the cash flows to a project construction schedule was

"We needed equipment that was simple and could be integrated into the accounting system while still helping us make investment decisions," he said.

Southern Minnesota installed three components of financial services software designed by Technical Data Corp., Boston.

The fixed-income portfolio management software produced by Technical Data and its bond swap analyzer helped Mr. Lentz generate interest income of $27.8 million for the agency in 1985, he said.

Before installing the package, the company operated a system that could only produce a "tickler" file that kept the firm informed on cash flow, said Mr. Lentz.

"But we had to keep track of the portfolio and our only capability (then) was knowing the maturity dates and if periodic payments were involved they were also given, but it would show cash flow only. The amortization and accretion had to be done by hand," he said.

With the Technical Data package Mr. Lentz said each portfolio can be monitored more quickly. He noted the report-generating capability of the system can be designed or changed to the owner's specifications.

"Our accounting department can use the month-end reports generated by the system to feed the general ledger package on the mainframe," he said, adding that in the two years since it had been installed, the company had been audited three times without problems by Peat, Marwick, Mitchell & Co. Inc.

Actively managed liquidity port-

Continued on page 46

Payden & Rygel index of short maturities assets*
(for month ending January 31, 1986)

	January 1986	Quarter ending 12/31/85	Year to date	12 months ending 1/31/86	Yield level monthly change*
	Unannualized total returns				
90 Day					
U.S. Treasury Bill	0.6401	1.8910	0.6401	8.2802	–08
Domestic C.D.	0.6606	2.0447	0.6606	8.5236	+03
Euro $ C.D.	0.6550	2.0712	0.6550	8.6880	+09
180 Day					
U.S. Treasury Bill	0.6539	1.9997	0.6539	8.9516	–03
Domestic C.D.	0.6360	2.0389	0.6360	8.7792	+04
Euro $ C.D.	0.6660	2.1525	5.5060	8.9590	+16
1 Year					
U.S. Treasury Note	0.6713	2.3533	0.6716	10.1227	–02
2 Year					
U.S. Treasury Note	0.6603	3.6300	0.6603	11.2280	+01

*Figures are unannualized total returns. Year-to-date and 12 month figures based monthly. 90 and 180 Day Treasury Bill yield level changes on discount basis.

Cash notes

Comments sought

WASHINGTON — The thre main bank regulatory agencie have requested public comment o a proposal to measure bank capita adequacy on a risk-adjusted basis.

The Federal Reserve Board, th comptroller of the currency an the Federal Deposit Insuranc Corp., said the proposals were in tended to approach four policy ob jectives:

- to address off-balance sheet ex posures, which have expanded rap idly at many large institutions i the past several years;
- to temper disincentives in ex isting standards that discourag banks from holding low-risk, rel tively liquid assets;
- to move U.S. capital adequac policies more closely in line wit those of other major industria countries; and
- to provide more explicit guide lines to bankers and examiners fo relating capital to risk profiles.

In an apparent reversal of pos tion, an official statement said th proposals would not be designed "take explicit account of all th many types of risks to which bank ing organizations are exposed."

The proposed approach als would not substitute an assessmer of capital adequacy for an exam iner's judgment, according to th statement.

Under the plan, the agencie would assign a weighting to variou categories of assets. The sum of th weighted asset values would be th weighted risk asset total again

International

Good timing lets funds grab Continental bull by the horns

By Rose Darby

Timely decision making left many U.S. pension funds beneficiaries of the Continental bull markets last year.

A number of funds surveyed by *Pensions & Investment Age* increased their international commitments as of Sept. 30 in time to benefit from the bull markets and the decline in the dollar.

The size of the gains by many of these funds is shown by the Europe Australia Far East index, which advanced by 56.8% in dollar terms for 1985.

Those funds that moved most boldly in terms of percentage of assets committed to the international arena included: Sperry Corp., New York; Dart & Kraft Inc., Northbrook, Ill.; the State of Alaska Retirement Systems, Juneau; Eaton Corp., Cleveland; Honeywell Inc., Minneapolis; Oregon Public Employee's Retirement System, Salem; American Telephone & Telegraph Co., New York; Pan American World Airways Inc., New York; Delta Air Lines Inc., Atlanta; General Electric Co., Stamford, Conn; GTE Corp., Stamford, Conn.; and E.I. du Pont de Nemours & Co. Inc., Wilmington, Del.

Some funds went into international investments in late 1984 and during 1985 mostly because they got long-awaited board of trustee clearance to enter the arena for the first time.

Indeed, that is the main reason for Sperry's roughly 900% increase, to $50 million from $5 million.

It was mid-1985 when the $2.5 billion Sperry pension plan got permission to incorporate international investments into its overall asset allocation.

As a consequence, Sperry divided $50 million among Putnam International Advisors, Boston; Mellon-Pictet International Management Ltd., London; Mercator Asset Management Inc., Fort Lauderdale, Fla.; and Thorndike Doran Paine & Lewis, Boston.

Dart & Kraft increased its exposure to the area about 420%, to $78 million from $15 million.

That fund moved to enter the international investment field early in 1985, by giving Mellon-Pictet, Morgan Grenfell Investment Services Ltd., London, and the Vanguard Group Inc., Valley Forge, Pa., a total of $112 million.

A confluence of several events led to Dart & Kraft's well-timed move into international, said William H.S. Preece Jr., director-trust investments.

One was the weakening of the U.S. dollar. "That is because we are a multinational corporation which does about one-third of its business overseas," Mr. Preece said.

"It was also a portfolio decision, in that it was something we'd talked about for several years. And, finally when we got into it, lo and behold it was 1985."

As for international investments in 1986, Mr. Preece said, "it's clearly not the value it was a year ago, but I'd say it's about equally attractive to domestic investing at this point. We'd consider increasing our commitments, but we're one of those funds on a zero cash flow basis so it's not simply a decision of putting up new cash flow."

Officials at the roughly $2.4 billion State of Alaska Retirement Systems increased assets in international by 318% in 1985, to $117 million from $28 million.

This was the result of a forecast in which the most profitable area seemed to be international for both equities and fixed income, said James R. Wilson, state investment officer.

"Thus, we moved heavily into those areas," he said. Commitments to international equities were increased substantially, and about $35 million in international bonds were purchased to be managed in-house, he added.

Alaska's fund officials believe there are further gains to be enjoyed in foreign equities, said Mr. Wilson.

"But in the fourth quarter, we pulled our bond commitments," he said.

"This is not because we don't think there is money to be made there. It's just that not as much can be made as before, and due to currency risk, the potential rewards have to be greater to overcome that risk."

International equities comprise roughly 5% of the Alaska pension portfolio, and it is not expected that the fund will move beyond that point in the coming year, Mr. Wilson added.

For Eaton Corp.'s roughly $870 million pension and employee benefit plan, international investment increased by 267%, to $55 million from $15 million, during 1985, mostly because of the U.S. dollar, said Mart Tiismann, manager of pension fund investment.

"We saw the dollar weakening and decided to increase international," he said. "But, we did have the objective of diversifying into foreign markets even before the dollar weakened."

No policy decisions have been made at the fund to increase the 6% overseas equity exposure, he added.

The massive AT&T pension fund, which totals roughly $25 billion, increased its exposure to international 117%, to $551 million from $254 million, during the past year.

The fulfillment of a long-term asset allocation strategy was what fueled the timely increase.

"We had started our international program a couple of years ago," said David Feldman, corporate vice president. "We thought it was a good long-term thing to do and, having set the 5% target in 1982, we have just been getting there since.

"We continue to feel that international offers diversification and the performance differentials that

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Growth of international assets 1985*
($ millions)

Pension fund	1984 invest.	1985 invest.	% increase
Sperry Corp.	$ 5	$ 50	900%
Dart & Kraft Inc.	15	78	420
State of Alaska	28	117	318
Eaton Corp.	15	55	267
Honeywell Inc.	30	109	263
State of Oregon	78	193	147
AT&T	254	551	117
Pan American World Airways	7	15	114
Delta Air Lines Inc.	47	90	91
General Electric Co.	243	460	89

* selected funds

Source: *Pensions & Investment Age*

International update

France is targeted

PARIS — The global investment phenomenon that has ignited so many of the world's markets is about to hit France, said Veerle Berbers, director of international research for Technimetrics, New York, in a speech to 150 French corporate and financial executives at a recent conference.

Ms. Berbers warned the executives to prepare for an explosion in international investments.

Foreign participation in the denationalization of major French companies alone could amount to 10% to 20% of an estimated $16.5 billion in new investments, she said.

"The global investment boom will without doubt come first and foremost from United States (pension) funds," she explained.

"Capital investments in foreign markets are at present still something new and exotic for Americans, but they will very soon be the norm."

International investment for U.S. pension funds approached $26 billion in 1985, Ms. Berbers said. That amount is likely to double by 1988 and to quadruple by 1990, she added.

French companies wishing to profit from this expansionist mood on the part of U.S. investors must make an effort to meet the information needs of financial analysts, whose decisive role is underestimated by the French, she said.

Ms. Berbers' speech was part of an investment forum at the Royal Monceau Hotel given by the Centre d'Observation et de Perspective Sociales, a non-profit financial research institute in Paris.

Wells' new product

SAN FRANCISCO — The stellar growth of international equity index funds during 1985 has index fund managers scuffling for undiscovered market niches and Wells Fargo Investment Advisors is vying for an edge with a new product.

Wells Fargo, in cooperation with Lombard Odier et Cie, Geneva, Switzerland, created six international bond indexes — the Lombard Odier Sovereign Bond Indexes — from which they can pattern index funds for pension fund clients, said Frederick L. Grauer, president.

These bond indexes are structured so a portfolio based on them has direct access to a particular foreign currency, he said. There are individual indexes for the pound sterling, the guilder, the yen, the French franc, the Swiss franc and the Australian dollar, he said.

These are sovereign indexes, which means every index

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Spain, Finland, Singapore

Smaller markets eyed for '86

By Rose Darby

Some international money managers believe the world's smaller stock markets will offer the best investment opportunities in 1986, with Spain, Finland, Singapore and Malaysia topping the list.

In part, this is because the major European markets registered extraordinary gains last year and therefore might have less potential for gains this year.

The Austrian market, for example, advanced 112.8% in local currency terms during 1985 or 27.8% in U.S. dollar terms, according to Morgan Stanley Capital International Perspective. The Italian market saw a 97.9% rise in local currency terms, 15% in U.S. dollar terms, and the German bourse spiraled 80.9% in local currency terms, 27.9% in U.S. dollar terms.

Spain

Spain's markets will continue to be a value in 1986, according to Peter J. Morant, managing director of SBC Portfolio Management International Inc., New York.

Spain became a member of the European Economic Community Jan. 1. From an economic standpoint, the advantages of this change for the investor are long term, he said.

Short term, some of the changes taking place on the Iberian Peninsula do not portend well for Spaniards, but could spell opportunity

"The gradual elimination of import duties that will take place there over the next seven to 10 years will have a negative impact on the competitiveness of domestic industry and agriculture as well," he explained. "This will require a more flexible wage structure and improved quality and structural adaptations for industry."

Unemployment is likely to increase even further from already double-digit levels, he said.

The reason SBC officials are bullish on the market is that the Spanish government probably will try to ease some of the entry of imports into its marketplace by weakening the peseta, he explained.

"The peseta was among the weaker of European currencies last year," he said. "Because the Spanish government will try to weaken it even more, we will see quite a significant drop in interest rates there."

This is one of the few countries where there is still downward potential for interest rates, he said. "Our major risk will be that of currency," he added.

Economic growth in Spain slowed in 1985 to about 1.5% from the 2.2% levels of the year before, he said. "But we think it will accelerate to 2.5% in 1986 because of recent tax-relief measures and a pick up in the consumer sector and, most importantly, because of increased capital spending."

Spain's EEC membership will result in more foreign capital flowing and Japanese money, but now it will be European money and that should, in part, help keep the peseta from being overly weak," he added.

As a result of this outlook, Spanish chemical company stocks **Explosivos Rio Tinto** and **Fomento** seem particularly attractive right now because of their sensitivity to the economy, said Mr. Morant.

Utility stocks such as **Hydrola** will be beneficiaries of declining Spanish interest rates, he added.

Finland

Finland is one of the emerging markets of Continental Europe that could pay off for foreign investors in the coming year, according to Dennis Elliott, director of sales for Phillips & Drew International, New York.

"Finland has looked interesting for a long time," said Mr. Elliott. "As of Jan. 1, there have been changes in the Finnish tax structure both on a corporate and an individual basis that are anticipated to be of benefit.

"The market's volumes have increased. It has been a lot easier to deal in stocks in the last month or so.

"It was quite difficult to deal in millions of dollars previously, but the marketability of stocks has definitely improved."

Further, a cut in interest rates is expected in two months that could consolidate market gains, he said.

Foreign banks buy managers

By Rose Darby

Foreign investment banking organizations have acquired all or part of two U.S. money management firms.

Last month, British merchant bankers Hill Samuel Group PLC, London, announced the purchase of 100% of Investment Advisers Inc., Minneapolis, while French investment bankers Paluel-Marmont Group, Paris, became owners of 20% of Gray, Seifert & Co. Inc., New York.

Investment Advisers became a wholly owned subsidiary of Hill Samuel Group's investment management division for $27.1 million, said Tim Sanderson, manager of Hill Samuel Group.

As of Dec. 31, Investment Advisers had $3 billion in tax-exempt assets under management.

"We hope that the acquisition of Investment Advisers Inc. will improve strategy across the Hill Samuel Group," said Mr. Sanderson. "We believe it will act to increase our exposure to the U.S. market.

"We feel that the pension fund market in the U.S. is the pre-eminent market and we had a limited exposure there."

Hill Samuel's investment management division specializes in offering international investment services and the acquisition presents a large amount of domestically managed assets to which international services could be sold, said Mr. Sanderson.

Further, "There are services available from Investment Advisers that could be sold to U.K. pension funds as well," he added. "The two companies present good cross-selling possibilities."

Hill Samuel is also a joint owner of Travelers Hill Samuel International Ltd., Hartford, Conn., an international investment management firm that has about $195 million invested for U.S. tax-exempt clients overseas.

As to how the two fund management entities will function within the Hill Samuel Group, Mr. Sanderson said it is being discussed now with The Travelers Cos.

"There's no reason why the two companies can't co-exist, since they're not likely to be crossing each other very much," he said.

While there are no plans at Hill Samuel to buy more companies in the investment management field, longer-term acquisitions are not ruled out, said Mr. Sanderson.

Investment Advisers' staff and location will not change, he said, adding, "We're hopeful that their fast growth will be maintained and aided by us."

Hill Samuel has U.K. assets of $11 billion under management and advisory contracts for U.K. pension funds, unit trusts, property funds and individuals, said Mr. Sanderson.

The other acquisition involved Gray, Seifert & Co., which has about $400 million under management, mostly for high net-worth individuals, family groups and individual trustees, and Paluel-Marmont Group, which handles about $450 million in assets for French mutual funds, individuals and private corporations.

Early in the second half of 1985, IDS Financial Services, Minneapolis, sold back Gray, Seifert, which had been one of its money management subsidiaries, to its principal shareholders for an undisclosed amount.

The association with Paluel-Marmont "helps us by helping to broaden our outlook on foreign investment," said Edward W.F. Gray III, president of Gray, Seifert.

Mr. Gray said his firm had made international investments for its clients before and this association would enhance that ability.

"We had two ideas in going to the states," said Jean-Marie Paluel-Marmont, chairman of the board for Paluel-Marmont Finance Co.

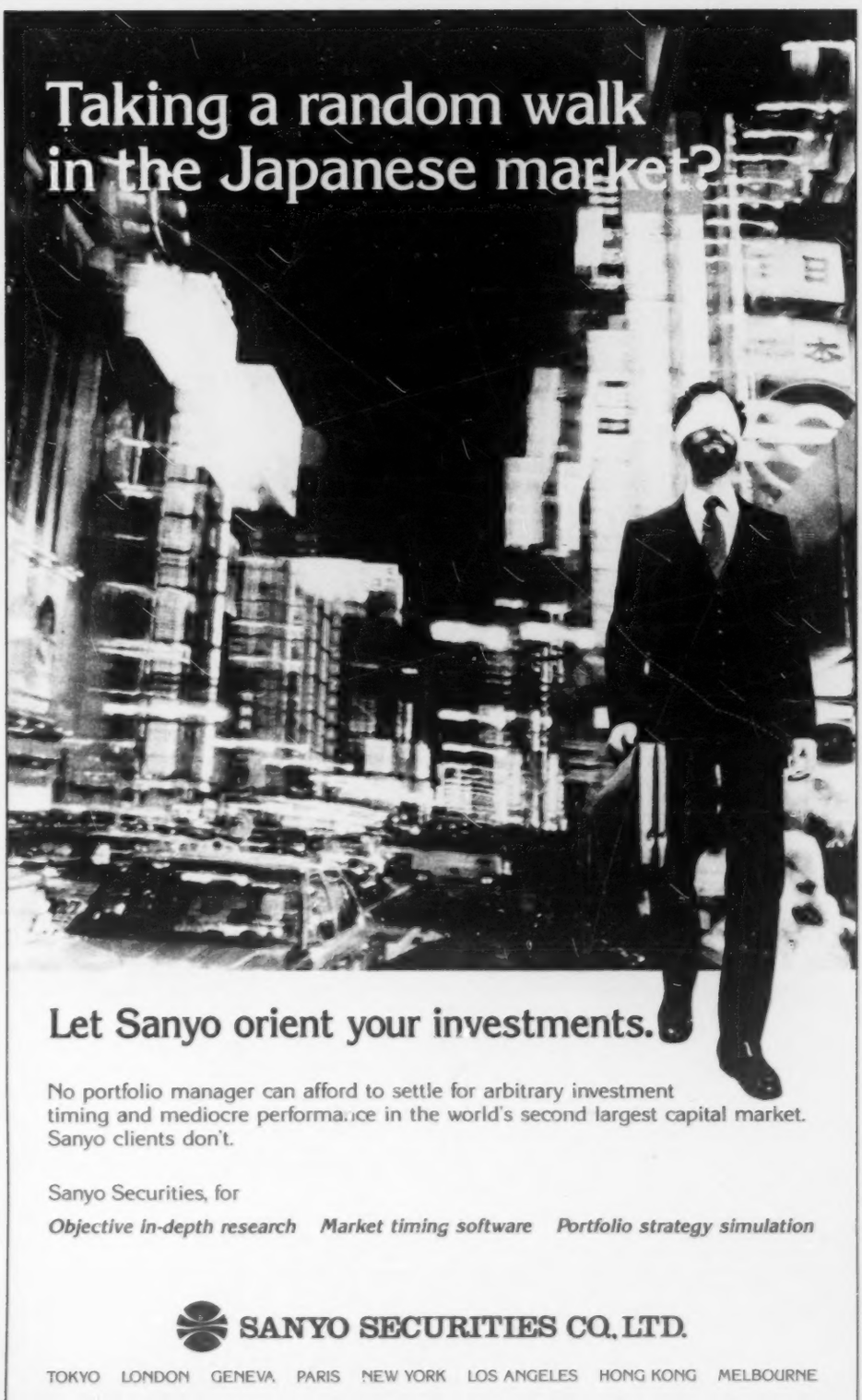
"First, we wanted to make an investment in the U.S. in an economic sector which we could understand and which we knew about," he said.

Also, the French firm wanted to benefit from its investment not only in returns, but from a product sales and marketing perspective, he said.

"What's happening in America is also happening in France a few years later," he explained. This move will put the Paluel-Marmont Group in a good position for future developments within the U.S. market in international investment, he added.

Further, "from a practical point of view, it's important for us to be able to talk to a money manager in the U.S. who has nothing to sell us," said Mr. Paluel-Marmont. "It's important for us to have a good contact with people we can trust and respect."

The Paluel-Marmont Group has been active in international investment both in Europe and the Far East, he said. ■



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Timing lets . . .

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we're looking for. We have not tried to market time as we went in."

It is expected that within available cash resources, the AT&T fund will continue to work toward the 5% target, he said. "However, because of changes in the fund there is a lot less cash flow than there used to be."

The changes to the pension fund are both demographic and structural because of the fund's breakup in the wake of AT&T's divestiture, Mr. Feldman noted. Further, cash flow will be lessened because contributions have been reduced as a result of actuarial changes and performance, he said.

At the giant $15.8 billion GE pension fund, international investment increased 89%, to $460 million from $243 million.

"We added money early in the year, which enabled us to take advantage of the currency moves at the beginning of the year," said Art Bahr, manager of equities for General Electric Investment Corp., GE's wholly owned asset management subsidiary.

A portion of GE's international exposure is managed internally, said Mr. Bahr. "Including internal management and external, the total international investment return was slightly more than 50% for the year."

Should GE officials decide to allocate further assets to the area, they are likely to be managed internally, he said.

This is in part because John Reinsberg recently joined the GE investment team as manager of financial portfolios, he said. Mr. Reinsberg was an international countertrade and barter expert with the General Electric Trading Co., a wholly owned subsidiary, added Mr. Bahr.

While international investment comprises roughly 7% of GE's equity portfolio, "this number could be larger without disturbing us at all," he said.

For the about $7 billion GTE pension fund, assets invested overseas reached $667 million during 1985, said John B. Carroll, president of GTE Investment Management Corp. GTE was particularly well placed to enjoy the strong foreign markets in 1985 because it had increased its international commitment in the first half of 1984 in anticipation of a weakening dollar, he said.

"We've been involved in a big way in international for the past five years," Mr. Carroll said.

"One significant thing we did last year was to give all our managers the freedom to seek value where ever they find it in the world."

Initially, when GTE's nine overseas equity managers were hired, they were allowed to choose their benchmark — the EAFE index or Morgan Stanley Capital International World Index, which includes North American stocks, Mr. Carroll explained.

Two-thirds of the managers chose the world index, which is 53% weighted in U.S. stocks.

"We began to notice that all the managers that chose CIWI had a very heavy weighting in U.S. stocks," he said.

That could mean the managers were measuring themselves closely against the CIWI benchmark to avert risk.

But such large sectors devoted to U.S. stocks in international portfolios threatened duplication with the domestic portfolios, he explained.

Because GTE officials believe there is a low correlation between foreign markets and the U.S. market, and because on a currency-adjusted basis foreign markets have done better than the U.S. market, all managers were asked in 1985 to adopt the EAFE as their benchmark, said Mr. Carroll.

"We have a long-term commitment to the international markets — somewhere between 10% and 15% of overall equities," he said. "Currently, it's about 14% and we're comfortable with that at this point."

At the roughly $10 billion du Pont pension fund, there was a 53% increase in international exposure during 1985, to $460 million from $300 million, explained Stanley Palmer, international equity portfolio manager.

Part of the decision to increase international exposure was currency, said Mr. Palmer. "And, some of it was our thinking that overseas markets were attractive," he added. "The third reason being that we were bullish on equities."

The du Pont fund will maintain international investment at its current level, which is about 7% of